

ANNUAL FINANCIAL REPORT

HARDIN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2017



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2017

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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This financial report is available at www.comptroller.tn.gov

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Summary of Audit Findings

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2017

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2017.

Results

Our report on Hardin County's financial statements is unmodified.

Our audit resulted in two findings and recommendations, which we have reviewed with Hardin County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF TRUSTEE

- ◆ The office maintained a duplicate set of receipts.

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.

INTRODUCTORY SECTION

Hardin County Officials

June 30, 2017

Officials

Kevin Davis, County Mayor
Paul Blount, Highway Commissioner
Michael Davis, Director of Schools
Linda McCasland, Trustee
Calvin Hinton, Assessor of Property
Connie Stephens, County Clerk
Diane Polk, Circuit and General Sessions Courts Clerk
Martha Smith, Clerk and Master
Julie Gail Adkisson, Register of Deeds
Sammy Davidson, Sheriff
Dianne Prince, Accounting and Budget Director

Board of County Commissioners

Kevin Davis, County Mayor, Chairman
Boyce Bain
Stephen Ballard
Bobby Barnes
Joseph Bonee
Larry Byrd
Nickie Cagle
Adam Coleman
Gary Combs
Mike Fowler
Wally Hamilton

Charles Holloway
Roger Jenkins
Mike Jerrolds
Brodie Johnson
Fred McFalls, Jr.
Brandon Morris
C. D. Rickman
Paul Riddell
Kathy Smith
Emery White

Highway Commission

Kevin Davis, County Mayor, Secretary
Hugh Gresham
Billy Grooms

Carter Horton
Jamie Lee Johnson

Board of Education

Ron Ashe, Chairman
James David Baker
David Burgess
Jeanelle Dennis
Justin Johnson

Brad Jones
Janie Milender
Bobby Tucker
Olga Turnbow
Gary Vickery

Audit Committee

David Davis, Chairman
Boyce Bain
Greg Seaton
Kathy Smith
Emery White

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report

Hardin County Mayor and
Board of County Commissioners
Hardin County, Tennessee

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Also, we did not audit the financial statements of the discretely presented Hardin Medical Center component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Park Rest Hardin County Health Center and Hardin Medical Center is based solely on the reports of other auditors. We were unable to determine Hardin Medical Center's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Hardin County Emergency Communications District and the Hardin County Convention and Visitors Bureau, component units requiring discrete presentation, were not included in the county's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of

the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension asset and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension assets, and schedule of funding progress – other postemployment benefits plan on pages 116-123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

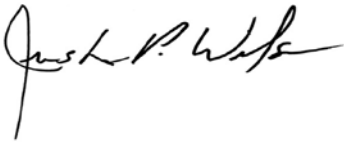
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of Hardin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hardin County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardin County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 29, 2018

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardin County, Tennessee
Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center
<u>ASSETS</u>					
Cash	\$ 404	\$ 78,112	\$ 78,516	\$ 0	\$ 25,412,776
Equity in Pooled Cash and Investments	9,459,688	0	9,459,688	3,875,504	0
Inventories	0	14,363	14,363	0	1,235,734
Accounts Receivable	65,323	980,811	1,046,134	2,156	3,119,763
Due from Other Governments	964,840	0	964,840	1,255,356	0
Due from Component Units	2,930,909	0	2,930,909	0	0
Property Taxes Receivable	5,997,150	0	5,997,150	6,823,068	0
Allowance for Uncollectible Property Taxes	(335,419)	0	(335,419)	(381,613)	0
Prepaid Items	0	26,317	26,317	0	338,288
Accrued Interest Receivable	176	0	176	0	0
Other Current Assets	0	0	0	0	109,141
Restricted Assets:					
Patient Trust	0	17,628	17,628	0	0
Net Pension Asset - Agent Plan	262,972	0	262,972	128,589	0
Net Pension Asset - Teacher Retirement Plan	0	0	0	19,104	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,936,748	26,700	1,963,448	1,202,917	274,533
Construction in Progress	312,875	0	312,875	0	7,963
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	9,864,944	243,957	10,108,901	35,482,560	10,407,725
Infrastructure	8,113,837	0	8,113,837	0	0
Other Capital Assets	3,516,176	41,298	3,557,474	142,654	2,780,658
Total Assets	\$ 43,090,623	\$ 1,429,186	\$ 44,519,809	\$ 48,550,295	\$ 43,686,581
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension Changes in Experience	\$ 0	\$ 0	\$ 0	\$ 95,959	\$ 0
Pension Changes in Investment Earnings	574,073	0	574,073	2,780,607	897,557
Pension Other Deferrals	0	0	0	67,752	0
Pension Contributions After Measurement Date	490,959	0	490,959	1,442,368	254,032
Total Deferred Outflows of Resources	\$ 1,065,032	\$ 0	\$ 1,065,032	\$ 4,386,686	\$ 1,151,589

(Continued)

Exhibit A

Hardin County, Tennessee
Statement of Net Position (Cont.)

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center
<u>LIABILITIES</u>					
Accounts Payable	\$ 29,337	\$ 172,592	\$ 201,929	\$ 45,245	\$ 1,708,545
Accrued Management Fee	0	1,177,302	1,177,302	0	0
Other Accrued Expenses	0	129,081	129,081	0	2,562,153
Accrued Payroll	99,589	0	99,589	0	0
Payroll Deductions Payable	9,609	0	9,609	168,606	0
Due to Primary Government	0	0	0	2,930,909	0
Accrued Interest Payable	159,966	0	159,966	0	0
Current Liabilities Payable from Restricted Assets:					
Patient Trust	0	17,628	17,628	0	0
Noncurrent Liabilities:					
Due Within One Year	2,093,278	0	2,093,278	175,470	517,958
Due in More Than One Year	43,781,797	0	43,781,797	8,717,782	9,439,609
Total Liabilities	\$ 46,173,576	\$ 1,496,603	\$ 47,670,179	\$ 12,038,012	\$ 14,228,265
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 5,434,100	\$ 0	\$ 5,434,100	\$ 6,182,474	\$ 0
Pension Changes in Experience	490,957	0	490,957	2,949,592	154,374
Pension Other Deferrals	0	0	0	151,396	0
Total Deferred Inflows of Resources	\$ 5,925,057	\$ 0	\$ 5,925,057	\$ 9,283,462	\$ 154,374
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$ 12,117,690	\$ 311,955	\$ 12,429,645	\$ 36,828,131	\$ 6,872,987
Restricted for:					
General Government	384,078	0	384,078	0	0
Finance	12,073	0	12,073	0	0
Administration of Justice	116,819	0	116,819	0	0
Public Safety	163,704	0	163,704	0	0
Public Health and Welfare	92,406	0	92,406	0	0
Social, Cultural, and Recreational Services	440,998	0	440,998	0	0
Highway/Public Works	435,964	0	435,964	0	0

(Continued)

Exhibit A

Hardin County, Tennessee
Statement of Net Position (Cont.)

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center
<u>NET POSITION (CONT.)</u>					
Restricted for (Cont.):					
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 32,292	\$ 0
Debt Service	2,936,995	0	2,936,995	0	0
Education	0	0	0	10,580	0
Operation of Non-instructional Services	0	0	0	503,149	0
Pensions	262,972	0	262,972	147,693	0
Unrestricted	(24,906,677)	(379,372)	(25,286,049)	(5,906,338)	23,582,544
Total Net Position	<u>\$ (7,942,978)</u>	<u>\$ (67,417)</u>	<u>\$ (8,010,395)</u>	<u>\$ 31,615,507</u>	<u>\$ 30,455,531</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Hardin County, Tennessee
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Hardin County School Department	Hardin Medical Center
					Total Governmental Activities	Business- type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 3,399,231	\$ 256,503	\$ 684,786	\$ 0	\$ (2,457,942)	\$ 0	\$ (2,457,942)	\$ 0	\$ 0
Finance	980,253	840,505	0	0	(139,748)	0	(139,748)	0	0
Administration of Justice	712,728	585,631	0	0	(127,097)	0	(127,097)	0	0
Public Safety	6,136,435	614,106	63,473	689,321	(4,769,535)	0	(4,769,535)	0	0
Public Health and Welfare	2,459,787	484,711	209,978	36,401	(1,728,697)	0	(1,728,697)	0	0
Social, Cultural, and Recreational Services	481,689	0	31,392	0	(450,297)	0	(450,297)	0	0
Agriculture and Natural Resources	182,644	123,721	0	0	(58,923)	0	(58,923)	0	0
Highways/Public Works	3,069,279	0	2,090,811	1,892,101	913,633	0	913,633	0	0
Interest on Long-term Debt	2,123,067	0	2,790,075	0	667,008	0	667,008	0	0
Total Governmental Activities	\$ 19,545,113	\$ 2,905,177	\$ 5,870,515	\$ 2,617,823	\$ (8,151,598)	\$ 0	\$ (8,151,598)	\$ 0	\$ 0
Business-type Activities:									
Park Rest Hardin County Health Center	\$ 3,125,121	\$ 2,913,407	\$ 0	\$ 0	\$ 0	\$ (211,714)	\$ (211,714)	\$ 0	\$ 0
Total Business-type Activities	\$ 3,125,121	\$ 2,913,407	\$ 0	\$ 0	\$ 0	\$ (211,714)	\$ (211,714)	\$ 0	\$ 0
Total Primary Government	\$ 22,670,234	\$ 5,818,584	\$ 5,870,515	\$ 2,617,823	\$ (8,151,598)	\$ (211,714)	\$ (8,363,312)	\$ 0	\$ 0
Component Units:									
School Department	\$ 34,722,336	\$ 308,101	\$ 3,853,107	\$ 1,330,336	\$ 0	\$ 0	\$ 0	\$ (29,230,792)	\$ 0
Hardin Medical Center	39,334,951	42,304,500	441,263	0	0	0	0	0	3,410,812
Total Component Units	\$ 74,057,287	\$ 42,612,601	\$ 4,294,370	\$ 1,330,336	\$ 0	\$ 0	\$ 0	\$ (29,230,792)	\$ 3,410,812

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
			Operating	Capital	Primary Government			Component Units	
		Charges	Grants	Grants	Total	Business-		Hardin	
Functions/Programs	Expenses	for	and	and	Governmental	type		County	Hardin
		Services	Contributions	Contributions	Activities	Activities	Total	School	Medical
								Department	Center
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 6,470,465	\$ 0	\$ 6,470,465	\$ 7,613,585	\$ 0
Property Taxes Levied for Debt Service					226,205	0	226,205	0	0
Local Option Sales Taxes					1,058,041	0	1,058,041	4,711,715	0
Hotel/Motel Tax					241,430	0	241,430	0	0
Wheel Tax					1,107,363	0	1,107,363	0	0
Litigation Tax					157,712	0	157,712	0	0
Business Tax					336,147	0	336,147	0	0
Mineral Severance Tax					59,544	0	59,544	0	0
Wholesale Beer Tax					257,497	0	257,497	0	0
Other Local Taxes					19,160	0	19,160	19,611	0
Grants and Contributions Not Restricted to Specific Programs					1,637,472	0	1,637,472	16,970,369	0
Unrestricted Investment Income					51,308	164	51,472	0	161,112
Miscellaneous					2,668	15,693	18,361	123,763	192,016
Total General Revenues					\$ 11,625,012	\$ 15,857	\$ 11,640,869	\$ 29,439,043	\$ 353,128
Change in Net Position					\$ 3,473,414	\$ (195,857)	\$ 3,277,557	\$ 208,251	\$ 3,763,940
Net Position, July 1, 2016					(11,416,392)	128,440	(11,287,952)	31,407,256	26,691,591
Net Position, June 30, 2017					\$ (7,942,978)	\$ (67,417)	\$ (8,010,395)	\$ 31,615,507	\$ 30,455,531

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

Hardin County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 404	\$ 404
Equity in Pooled Cash and Investments	4,338,967	1,267,686	1,757,795	1,689,499	405,741	9,459,688
Accounts Receivable	33,581	226	6,103	0	25,413	65,323
Due from Other Governments	380,303	355,382	0	70,085	159,070	964,840
Due from Other Funds	404	0	0	0	0	404
Due from Component Units	0	0	0	294,548	0	294,548
Property Taxes Receivable	4,998,652	610,193	203,398	0	184,907	5,997,150
Allowance for Uncollectible Property Taxes	(279,573)	(34,128)	(11,376)	0	(10,342)	(335,419)
Accrued Interest Receivable	176	0	0	0	0	176
Total Assets	<u>\$ 9,472,510</u>	<u>\$ 2,199,359</u>	<u>\$ 1,955,920</u>	<u>\$ 2,054,132</u>	<u>\$ 765,193</u>	<u>\$ 16,447,114</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 21,972	\$ 0	\$ 0	\$ 0	\$ 7,365	\$ 29,337
Accrued Payroll	90,565	0	0	0	9,024	99,589
Payroll Deductions Payable	8,792	0	0	0	817	9,609
Due to Other Funds	0	0	0	0	404	404
Total Liabilities	<u>\$ 121,329</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,610</u>	<u>\$ 138,939</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,529,347	\$ 552,904	\$ 184,302	\$ 0	\$ 167,547	\$ 5,434,100
Deferred Delinquent Property Taxes	167,627	20,126	6,708	0	6,097	200,558
Other Deferred/Unavailable Revenue	151,691	178,464	0	184,282	78,977	593,414
Total Deferred Inflows of Resources	<u>\$ 4,848,665</u>	<u>\$ 751,494</u>	<u>\$ 191,010</u>	<u>\$ 184,282</u>	<u>\$ 252,621</u>	<u>\$ 6,228,072</u>

(Continued)

Exhibit C-1

Hardin County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 321,737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 321,737
Restricted for Finance	12,073	0	0	0	0	12,073
Restricted for Administration of Justice	116,819	0	0	0	0	116,819
Restricted for Public Safety	111,818	0	0	0	51,886	163,704
Restricted for Public Health and Welfare	7,332	0	0	0	0	7,332
Restricted for Social, Cultural, and Recreational Services	440,998	0	0	0	0	440,998
Restricted for Other Operations	62,341	0	0	0	0	62,341
Restricted for Highways/Public Works	0	251,561	0	0	0	251,561
Restricted for Debt Service	0	0	1,031,075	1,869,850	0	2,900,925
Committed:						
Committed for General Government	726,770	0	0	0	0	726,770
Committed for Administration of Justice	67,808	0	0	0	0	67,808
Committed for Public Safety	460,902	0	0	0	0	460,902
Committed for Public Health and Welfare	219,162	0	0	0	443,076	662,238
Committed for Highways/Public Works	0	1,196,304	0	0	0	1,196,304
Committed for Debt Service	0	0	733,835	0	0	733,835
Unassigned	1,954,756	0	0	0	0	1,954,756
Total Fund Balances	<u>\$ 4,502,516</u>	<u>\$ 1,447,865</u>	<u>\$ 1,764,910</u>	<u>\$ 1,869,850</u>	<u>\$ 494,962</u>	<u>\$ 10,080,103</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,472,510</u>	<u>\$ 2,199,359</u>	<u>\$ 1,955,920</u>	<u>\$ 2,054,132</u>	<u>\$ 765,193</u>	<u>\$ 16,447,114</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statement of net position
(Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	10,080,103
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,936,748	
Add: construction in progress		312,875	
Add: buildings and improvements net of accumulated depreciation		9,864,944	
Add: infrastructure net of accumulated depreciation		8,113,837	
Add: other capital assets net of accumulated depreciation		<u>3,516,176</u>	23,744,580
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(600,000)	
Less: capital leases payable		(2,124,858)	
Less: bonds payable		(40,815,000)	
Less: other loan payable		(1,330,336)	
Add: debt to be contributed from the School Department		2,636,361	
Less: compensated absences payable		(170,468)	
Less: landfill postclosure care costs		(293,605)	
Less: other postemployment benefits liability		(285,000)	
Less: accrued interest on notes, bonds, and capital leases		(159,966)	
Less: other deferred revenue - premium on debt		<u>(255,808)</u>	(43,398,680)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	1,065,032	
Less: deferred inflows of resources related to pensions		<u>(490,957)</u>	574,075
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			262,972
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>793,972</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(7,942,978)</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds				Nonmajor Funds Other	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 7,466,049	\$ 862,485	\$ 228,694	\$ 382,268	\$ 1,039,681	\$ 9,979,177
Licenses and Permits	115,021	0	0	0	0	115,021
Fines, Forfeitures, and Penalties	180,402	0	0	0	32,105	212,507
Charges for Current Services	177,057	0	0	0	467,631	644,688
Other Local Revenues	212,153	71,651	141,533	5,839	8	431,184
Fees Received From County Officials	1,377,131	0	0	0	0	1,377,131
State of Tennessee	2,263,305	3,405,320	4,274	0	4,600	5,677,499
Federal Government	495,451	534,945	0	579,999	0	1,610,395
Other Governments and Citizens Groups	225,784	35,000	508,626	1,972,192	5,497	2,747,099
Total Revenues	\$ 12,512,353	\$ 4,909,401	\$ 883,127	\$ 2,940,298	\$ 1,549,522	\$ 22,794,701
<u>Expenditures</u>						
Current:						
General Government	\$ 1,517,506	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,517,506
Finance	759,098	0	0	0	0	759,098
Administration of Justice	587,122	0	0	0	0	587,122
Public Safety	4,708,872	0	0	0	46,586	4,755,458
Public Health and Welfare	822,329	0	0	0	1,445,776	2,268,105
Social, Cultural, and Recreational Services	345,396	0	0	0	0	345,396
Agriculture and Natural Resources	152,357	0	0	0	0	152,357
Other Operations	3,759,005	0	0	0	204,888	3,963,893
Highways	0	4,405,463	0	0	0	4,405,463
Debt Service:						
Principal on Debt	152,806	0	1,160,656	900,000	0	2,213,462
Interest on Debt	15,264	0	338,963	1,770,270	0	2,124,497
Other Debt Service	0	0	44,075	7,468	0	51,543

(Continued)

Exhibit C-3

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds Other	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Govern- mental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,330,336	\$ 1,330,336
Total Expenditures	\$ 12,819,755	\$ 4,405,463	\$ 1,543,694	\$ 2,677,738	\$ 3,027,586	\$ 24,474,236
Excess (Deficiency) of Revenues Over Expenditures	\$ (307,402)	\$ 503,938	\$ (660,567)	\$ 262,560	\$ (1,478,064)	\$ (1,679,535)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 418,200	\$ 0	\$ 0	\$ 0	\$ 223,915	\$ 642,115
Other Loans Issued	0	0	0	0	1,330,336	1,330,336
Insurance Recovery	12,114	0	0	0	5,817	17,931
Transfers In	0	0	722,028	0	16,000	738,028
Transfers Out	(531,806)	(206,222)	0	0	0	(738,028)
Total Other Financing Sources (Uses)	\$ (101,492)	\$ (206,222)	\$ 722,028	\$ 0	\$ 1,576,068	\$ 1,990,382
Net Change in Fund Balances	\$ (408,894)	\$ 297,716	\$ 61,461	\$ 262,560	\$ 98,004	\$ 310,847
Fund Balance, July 1, 2016	4,911,410	1,150,149	1,703,449	1,607,290	396,958	9,769,256
Fund Balance, June 30, 2017	\$ 4,502,516	\$ 1,447,865	\$ 1,764,910	\$ 1,869,850	\$ 494,962	\$ 10,080,103

The notes to the financial statements are an integral part of this statement.

Exhibit C-4

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	310,847
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	3,504,741	
Less: current-year depreciation expense		<u>(2,507,326)</u>	997,415
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.			
Add: assets donated and capitalized			619,593
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2017	\$	793,972	
Less: deferred delinquent property taxes and other deferred June 30, 2016		<u>(817,064)</u>	(23,092)
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: capital lease proceeds	\$	(642,115)	
Less: other loan proceeds		(1,330,336)	
Add: loan proceeds contributed to the School Department		1,330,336	
Add: change in premium on debt issuances		16,130	
Add: principal payments on notes		153,950	
Add: principal payments on capital leases		402,512	
Add: principal payments on bonds		1,385,000	
Less: contributions from the School Department for the capital lease		<u>(116,805)</u>	1,198,672
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	1,430	
Change in compensated absences payable		(22,324)	
Change in landfill postclosure care costs		3,848	
Change in other postemployment benefits liability		(22,526)	
Change in net pension asset		(48,717)	
Change in deferred outflows related to pensions		581,549	
Change in deferred inflows related to pensions		<u>(123,281)</u>	369,979
Change in net position of governmental activities (Exhibit B)		\$	<u>3,473,414</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-5

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,466,049	\$ 0	\$ 0	\$ 7,466,049	\$ 7,536,942	\$ 7,536,942	\$ (70,893)
Licenses and Permits	115,021	0	0	115,021	114,000	114,250	771
Fines, Forfeitures, and Penalties	180,402	0	0	180,402	199,392	204,542	(24,140)
Charges for Current Services	177,057	0	0	177,057	178,950	179,405	(2,348)
Other Local Revenues	212,153	0	0	212,153	149,071	194,452	17,701
Fees Received From County Officials	1,377,131	0	0	1,377,131	1,412,000	1,412,000	(34,869)
State of Tennessee	2,263,305	0	0	2,263,305	2,295,809	2,342,694	(79,389)
Federal Government	495,451	0	0	495,451	117,465	510,629	(15,178)
Other Governments and Citizens Groups	225,784	0	0	225,784	92,450	232,542	(6,758)
Total Revenues	\$ 12,512,353	\$ 0	\$ 0	\$ 12,512,353	\$ 12,096,079	\$ 12,727,456	\$ (215,103)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 73,282	\$ (38)	\$ 0	\$ 73,244	\$ 78,006	\$ 78,006	\$ 4,762
Board of Equalization	840	0	0	840	1,500	1,500	660
Beer Board	2,844	0	0	2,844	4,075	4,075	1,231
Other Boards and Committees	200	0	0	200	1,700	1,700	1,500
County Mayor/Executive	163,434	(1,774)	259	161,919	161,950	162,200	281
County Attorney	1,221	0	0	1,221	5,000	5,000	3,779
Election Commission	192,051	(130)	0	191,921	199,675	199,925	8,004
Register of Deeds	156,665	0	44	156,709	159,371	159,871	3,162
County Buildings	926,969	(226,617)	10,891	711,243	1,007,078	1,019,580	308,337
<u>Finance</u>							
Accounting and Budgeting	130,640	(12)	158	130,786	126,146	134,546	3,760
Property Assessor's Office	172,006	0	0	172,006	178,549	179,049	7,043
Reappraisal Program	38,756	0	0	38,756	46,500	46,500	7,744
County Trustee's Office	162,184	0	0	162,184	169,449	170,074	7,890
County Clerk's Office	255,512	(367)	885	256,030	269,246	272,734	16,704
<u>Administration of Justice</u>							
Circuit Court	306,305	(473)	0	305,832	312,306	321,698	15,866

(Continued)

Exhibit C-5

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
General Sessions Court	\$ 149,329	\$ 0	\$ 0	\$ 149,329	\$ 149,170	\$ 149,470	\$ 141
Drug Court	8,231	(8,231)	6,164	6,164	12,200	12,200	6,036
Chancery Court	123,257	0	1,145	124,402	134,962	135,902	11,500
<u>Public Safety</u>							
Sheriff's Department	1,429,016	(43,011)	9,585	1,395,590	1,469,690	1,510,460	114,870
Traffic Control	20,609	0	0	20,609	7,213	25,214	4,605
Administration of the Sexual Offender Registry	1,504	0	0	1,504	1,400	1,600	96
Jail	1,584,564	(78)	3,624	1,588,110	1,574,655	1,629,589	41,479
Juvenile Services	127,717	(490)	0	127,227	118,596	138,846	11,619
Fire Prevention and Control	1,087,216	(1,139)	2,134	1,088,211	684,268	1,562,377	474,166
Civil Defense	168,413	(1,060)	1,415	168,768	132,896	170,790	2,022
Other Public Safety	289,833	(150)	0	289,683	289,978	289,978	295
<u>Public Health and Welfare</u>							
Local Health Center	123,072	0	459	123,531	162,400	162,400	38,869
Rabies and Animal Control	301,144	0	1,395	302,539	284,980	312,247	9,708
Ambulance/Emergency Medical Services	249,982	0	0	249,982	243,203	250,453	471
Alcohol and Drug Programs	9,966	0	0	9,966	9,966	9,966	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0
Other Local Health Services	7,583	0	0	7,583	14,937	14,937	7,354
General Welfare Assistance	25,752	0	0	25,752	29,100	29,100	3,348
Other Local Welfare Services	10,000	0	0	10,000	10,000	10,000	0
Sanitation Education/Information	92,825	0	57	92,882	94,115	94,115	1,233
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	70,507	0	1,763	72,270	71,027	76,027	3,757
Libraries	219,629	0	0	219,629	639,596	648,981	429,352
Other Social, Cultural, and Recreational	55,260	0	0	55,260	62,500	62,500	7,240
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	81,970	0	0	81,970	86,539	86,539	4,569
Forest Service	1,000	0	0	1,000	1,000	1,000	0

(Continued)

Exhibit C-5

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture and Natural Resources (Cont.)</u>							
Soil Conservation	\$ 26,475	\$ 0	\$ 0	\$ 26,475	\$ 26,475	\$ 26,475	\$ 0
Flood Control	37,771	0	0	37,771	38,000	38,000	229
Other Agriculture and Natural Resources	5,141	0	147	5,288	5,900	5,900	612
<u>Other Operations</u>							
Tourism	224,703	(24,040)	33,762	234,425	180,000	236,500	2,075
Tourism - Resort District	857,225	(58,073)	59,000	858,152	787,000	861,000	2,848
Industrial Development	68,565	0	0	68,565	68,800	68,800	235
Other Economic and Community Development	574,264	0	1,206	575,470	17,770	578,710	3,240
Airport	51,194	0	0	51,194	27,500	51,194	0
Veterans' Services	53,557	0	0	53,557	53,307	53,556	(1)
Other Charges	308,075	0	0	308,075	326,390	323,238	15,163
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	1,598,819	0	0	1,598,819	1,758,557	1,758,557	159,738
Miscellaneous	7,103	(99)	1,386	8,390	11,200	11,200	2,810
<u>Principal on Debt</u>							
General Government	152,806	0	0	152,806	0	152,806	0
<u>Interest on Debt</u>							
General Government	15,264	0	0	15,264	0	15,264	0
Total Expenditures	\$ 12,819,755	\$ (365,782)	\$ 135,479	\$ 12,589,452	\$ 12,323,346	\$ 14,339,854	\$ 1,750,402
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (307,402)	\$ 365,782	\$ (135,479)	\$ (77,099)	\$ (227,267)	\$ (1,612,398)	\$ 1,535,299
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 418,200	\$ 0	\$ 0	\$ 418,200	\$ 0	\$ 836,400	\$ (418,200)
Insurance Recovery	12,114	0	0	12,114	0	12,114	0
Transfers Out	(531,806)	0	0	(531,806)	(531,806)	(531,806)	0
Total Other Financing Sources	\$ (101,492)	\$ 0	\$ 0	\$ (101,492)	\$ (531,806)	\$ 316,708	\$ (418,200)

(Continued)

Exhibit C-5

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (408,894)	\$ 365,782	\$ (135,479)	\$ (178,591)	\$ (759,073)	\$ (1,295,690)	\$ 1,117,099
Fund Balance, July 1, 2016	4,911,410	(365,782)	0	4,545,628	4,442,946	4,442,946	102,682
Fund Balance, June 30, 2017	\$ 4,502,516	\$ 0	\$ (135,479)	\$ 4,367,037	\$ 3,683,873	\$ 3,147,256	\$ 1,219,781

The notes to the financial statements are an integral part of this statement.

Exhibit C-6

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 862,485	\$ 908,472	\$ 908,472	\$ (45,987)
Other Local Revenues	71,651	53,000	78,256	(6,605)
State of Tennessee	3,405,320	3,073,608	3,282,096	123,224
Federal Government	534,945	0	534,945	0
Other Governments and Citizens Groups	35,000	0	35,000	0
Total Revenues	<u>\$ 4,909,401</u>	<u>\$ 4,035,080</u>	<u>\$ 4,838,769</u>	<u>\$ 70,632</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 290,835	\$ 297,511	\$ 302,511	\$ 11,676
Highway and Bridge Maintenance	1,096,393	1,043,950	1,168,950	72,557
Operation and Maintenance of Equipment	361,575	445,291	445,291	83,716
Other Charges	166,614	195,500	195,500	28,886
Employee Benefits	398,955	437,575	437,575	38,620
Capital Outlay	2,091,091	1,367,160	2,181,130	90,039
Total Expenditures	<u>\$ 4,405,463</u>	<u>\$ 3,786,987</u>	<u>\$ 4,730,957</u>	<u>\$ 325,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 503,938</u>	<u>\$ 248,093</u>	<u>\$ 107,812</u>	<u>\$ 396,126</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (206,222)	\$ (206,222)	\$ (206,222)	\$ 0
Total Other Financing Sources	<u>\$ (206,222)</u>	<u>\$ (206,222)</u>	<u>\$ (206,222)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 297,716	\$ 41,871	\$ (98,410)	\$ 396,126
Fund Balance, July 1, 2016	<u>1,150,149</u>	<u>851,776</u>	<u>851,776</u>	<u>298,373</u>
Fund Balance, June 30, 2017	<u><u>\$ 1,447,865</u></u>	<u><u>\$ 893,647</u></u>	<u><u>\$ 753,366</u></u>	<u><u>\$ 694,499</u></u>

The notes to the financial statements are an integral part of this statement.

Hardin County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2017

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 78,112
Inventories	14,363
Accounts Receivable	223,562
Due from Hardin Home	757,249
Prepaid Items	26,317
Restricted Assets:	
Patient Trust	17,628
Total Current Assets	<u>\$ 1,117,231</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	243,957
Other Capital Assets	41,298
Total Noncurrent Assets	<u>\$ 311,955</u>
Total Assets	<u>\$ 1,429,186</u>
<u>LIABILITIES</u>	
Liabilities:	
Accounts Payable	\$ 172,592
Accrued Management Fee	1,177,302
Other Accrued Expenses	129,081
Current Liabilities Payable from Restricted Assets:	
Patient Trust	17,628
Total Liabilities	<u>\$ 1,496,603</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 311,955
Unrestricted	<u>(379,372)</u>
Total Net Position	<u>\$ (67,417)</u>

The notes to the financial statements are an integral part of this statement.

Exhibit D-2

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Major</u> <u>Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Park Rest</u> <u>Hardin County</u> <u>Health Center</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,928,186
Uncollectible Accounts	(14,779)
Total Operating Revenues	<u>\$ 2,913,407</u>
<u>Operating Expenses</u>	
Administrative	\$ 1,035,800
Dietary	322,882
Housekeeping	149,597
Laundry	144,926
Operation and Maintenance	224,674
Nursing	1,105,753
Social Service	101,639
Depreciation	39,850
Total Operating Expenses	<u>\$ 3,125,121</u>
Operating Income (Loss)	<u>\$ (211,714)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 164
Miscellaneous Income	15,693
Total Nonoperating Revenues (Expenses)	<u>\$ 15,857</u>
Net Income (Loss)	<u>\$ (195,857)</u>
Change in Net Position	\$ (195,857)
Net Position, July 1, 2016	<u>128,440</u>
Net Position, June 30, 2017	<u><u>\$ (67,417)</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>Cash Flows from Operating Activities</u>	
Receipts from Patient Services	\$ 3,035,341
Payments to Suppliers	(1,272,232)
Payments to Employees	(1,892,535)
Other Operating Cash Receipts	15,693
Net Cash Provided By (Used In) Operating Activities	<u>\$ (113,733)</u>
<u>Cash Flows from Capital Activities</u>	
Acquisition of Capital Assets	\$ (32,408)
Net Cash Provided By (Used In) Capital Activities	<u>\$ (32,408)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	\$ 164
Net Cash Provided By (Used In) Investing Activities	<u>\$ 164</u>
Net Increase (Decrease) in Cash	\$ (145,977)
Cash, July 1, 2016	<u>224,089</u>
Cash, June 30, 2017	<u><u>\$ 78,112</u></u>

(Continued)

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>Reconciliation of Net Operating Income to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ (211,714)
Adjustments to Reconcile Net Operating Income to Net	
Cash Provided By (Used In) Operating Activities:	
Depreciation	39,850
Other Revenue	15,693
Changes in Assets and Liabilities:	
Inventories	(882)
Accounts Receivable	(9,663)
Due from Hardin Home	(46,235)
Due from State of Tennessee	7,599
Prepaid Items	(8,124)
Accounts Payable	138,675
Accrued Management Fee	(29,431)
Other Accrued Expenses	(9,501)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (113,733)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 78,112</u>
Cash, June 30, 2017	<u>\$ 78,112</u>

The notes to the financial statements are an integral part of this statement.

Exhibit E

Hardin County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 628,976
Due from Other Governments	<u>658,560</u>
Total Assets	<u><u>\$ 1,287,536</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 658,560
Due to Litigants, Heirs, and Others	<u>628,976</u>
Total Liabilities	<u><u>\$ 1,287,536</u></u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY, TENNESSEE

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HARDIN COUNTY, TENNESSEE
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HARDIN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardin County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Hardin County:

A. Reporting Entity

Hardin County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Hardin County (the primary government) and its component units. The financial statements of the Hardin County Emergency Communications District and the Hardin County Convention and Visitors Bureau, component units requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Hardin County School Department operates the county's public school system, and the voters of Hardin County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Hardin County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardin County, and the Hardin County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's approval. The financial statements of the Hardin County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center, an intermediate and skilled care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services. The Hardin County Commission appoints the Hardin Medical Center's governing body, which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

The Hardin County Convention and Visitors Bureau is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote tourism in the county. The Hardin County Commission appoints the Hardin County Convention and Visitors Bureau's governing body and provides a significant amount of the bureau's funding. The financial statements of the Hardin County Convention and Visitors Bureau were not material to the component units' opinion unit and therefore have been omitted from this report.

The Hardin County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Hardin County Emergency Communications District, Hardin Medical Center, and Hardin County Convention and Visitors Bureau can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hardin County Emergency Communications District
465 Main Street
Savannah, TN 38372

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

Hardin County Convention and Visitors Bureau
495 Main Street
Savannah, TN 38372

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement

of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hardin County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Hardin County issues all debt for the discretely presented Hardin County School Department. Net debt issues totaling \$1,330,336 were contributed by the county to the School Department during the year ended June 30, 2017.

Separate financial statements are provided for governmental funds, proprietary funds (internal service and enterprise), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardin County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Hardin County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into

three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardin County only reports one proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hardin County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary funds and fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hardin County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Rural Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on school improvement projects for which the City of Savannah contributes a portion of its sales tax.

Hardin County reports the following major enterprise fund:

Park Rest Hardin County Health Center – This fund accounts for the transactions of the county-owned health center.

Additionally, Hardin County reports the following fund types:

Capital Projects Fund – The Education Capital Projects fund accounts for debt issued by Hardin County that is subsequently contributed to the discretely presented Hardin County School Department for construction and renovation projects.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Hardin County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Hardin County School Department reports the following major governmental fund:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Additionally, the Hardin County School Department reports the following fund types:

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund – The Education Capital Projects Fund accounts for the receipt of debt issued by Hardin County and contributed to the School Department for building construction and renovation and the acquisition of other major capital assets.

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (enterprise fund) used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented School Department's internal service fund is self-insurance premiums. Operating expenses include administrative expenses and dental claims.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash in the internal service fund of the discretely presented Hardin County School Department consists entirely of cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of

certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardin County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.73 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Governmental activities capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Primary Government:	
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure:	
Roads	10 - 20
Bridges	30
School Department:	
Land Improvements	20
Buildings and Improvements	25
Other Capital Assets	5 - 15

4. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for pension changes in experience and investment earnings, pension changes in the proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experiences, pension changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. **Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to

employees upon separation from service. The Hardin County Highway Department allows its employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation pay for the primary government is accrued when incurred in the government-wide statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave for employees of Hardin County has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the School Department's policy to permit professional employees to accumulate an unlimited amount of earned but unused sick leave days and support staff to accumulate earned but unused sick leave up to 120 days. Upon leaving employment, professional employees and support staff receive \$10 per day for unused sick days. The policy permits 12-month support staff to accumulate an unlimited amount of earned but unused annual and sick leave days. Upon leaving employment, 12-month support staff are compensated at their daily rate of pay for unused annual and sick leave. All annual and sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for annual and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill closure/postclosure care costs, other postemployment benefits, and pension liabilities are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

In the government-wide financial statements and the proprietary funds in the fund financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide Statement of Net Position reports \$4,846,009 of restricted net position, of which \$62,341 is restricted by enabling legislation.

As of June 30, 2017, Hardin County had \$33,436,361 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Hardin County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Hardin County's fiduciary net position have been determined on the same basis

as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Hardin County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Hardin County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Hardin County School Department

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the county commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the county commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardin County (excluding the Park Rest Hardin County Health Center, enterprise fund) and the Hardin County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2017.

B. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 1,927,748	\$ 9,000	\$ 0	\$ 1,936,748
Construction in Progress	0	312,875	0	312,875
Total Capital Assets Not Depreciated	\$ 1,927,748	\$ 321,875	\$ 0	\$ 2,249,623
Capital Assets Depreciated:				
Buildings and Improvements	\$ 16,685,580	\$ 301,694	\$ 0	\$ 16,987,274
Infrastructure	41,300,759	1,857,131	0	43,157,890
Other Capital Assets	11,779,457	1,643,634	209,289	13,213,802
Total Capital Assets Depreciated	\$ 69,765,796	\$ 3,802,459	\$ 209,289	\$ 73,358,966
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,568,409	\$ 553,921	\$ 0	\$ 7,122,330
Infrastructure	34,105,564	938,489	0	35,044,053
Other Capital Assets	8,891,999	1,014,916	209,289	9,697,626
Total Accumulated Depreciation	\$ 49,565,972	\$ 2,507,326	\$ 209,289	\$ 51,864,009
Total Capital Assets Depreciated, Net	\$ 20,199,824	\$ 1,295,133	\$ 0	\$ 21,494,957
Governmental Activities Capital Assets, Net	\$ 22,127,572	\$ 1,617,008	\$ 0	\$ 23,744,580

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$	26,229
Finance		11,472
Administration of Justice		13,152
Public Safety		947,051
Public Health and Welfare		244,479
Social, Cultural, and Recreational Services		96,970
Agriculture and Natural Resources		44,207
Highways/Public Works		<u>1,123,766</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>2,507,326</u></u>
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Discretely Presented Hardin County School Department**Governmental Activities:**

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 1,162,600	\$ 40,317	\$ 0	\$ 1,202,917
Construction in Progress	245,844	0	245,844	0
Total Capital Assets Not Depreciated	<u>\$ 1,408,444</u>	<u>\$ 40,317</u>	<u>\$ 245,844</u>	<u>\$ 1,202,917</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 66,599,920	\$ 3,216,225	\$ 0	\$ 69,816,145
Other Capital Assets	2,186,004	6,997	0	2,193,001
Total Capital Assets Depreciated	<u>\$ 68,785,924</u>	<u>\$ 3,223,222</u>	<u>\$ 0</u>	<u>\$ 72,009,146</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 31,999,340	\$ 2,334,245	\$ 0	\$ 34,333,585
Other Capital Assets	1,968,654	81,693	0	2,050,347
Total Accumulated Depreciation	<u>\$ 33,967,994</u>	<u>\$ 2,415,938</u>	<u>\$ 0</u>	<u>\$ 36,383,932</u>
Total Capital Assets Depreciated, Net	<u>\$ 34,817,930</u>	<u>\$ 807,284</u>	<u>\$ 0</u>	<u>\$ 35,625,214</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 36,226,374</u></u>	<u><u>\$ 847,601</u></u>	<u><u>\$ 245,844</u></u>	<u><u>\$ 36,828,131</u></u>

Depreciation expense was charged to functions of the discretely presented Hardin County School Department as follows:

Governmental Activities:

Instruction	\$ 1,533,856
Support Services	608,506
Operation of Non-instructional Services	<u>273,576</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,415,938</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 404
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	149,333

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
Governmental Activities	School Department:	
Rural Debt Service	Governmental Activities	\$ 2,636,361
	General Purpose School	294,548

The amount reflected in governmental activities as Due to the Primary Government from the discretely presented School Department is the balance of the capital lease and other loan issued by the county for the School Department as discussed in Note IV.F. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2017, consisted of the following amounts:

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	\$ 515,806	\$ 16,000
Highway/Public Works Fund	206,222	0
Total	<u>\$ 722,028</u>	<u>\$ 16,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Capital Leases

Terms of capital lease obligations outstanding at June 30, 2017, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate	
Fire Trucks	7-31-07	10	\$ 495,000	5.38	%
Fire Truck	6-28-10	10	224,189	5.1	
Energy Management Project	6-20-12	14	1,782,319	3.05	
Commercial Pumper	3-31-14	9	241,750	3.79	
Refuse Collection Truck	7-29-16	3	223,915	2.845	
Commercial Pumper	4-18-17	9	418,200	2.98	

Title to the above-noted assets transfers to Hardin County and the Hardin County School Department at the end of the lease periods. Lease payments are made from the General and General Debt Service funds and by contributions from the School Department to the primary government's General Debt Service Fund.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Buildings and Improvements	\$ 1,782,319
Vehicles and Equipment	1,603,054
Less: Accumulated Depreciation	<u>(1,376,209)</u>
Total Book Value	<u><u>\$ 2,009,164</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30	Governmental Funds
2018	\$ 328,269
2019	322,927
2020	322,925
2021	235,378
2022	235,378
2023-2027	<u>983,414</u>
Total Minimum Lease Payments	\$ 2,428,291
Less: Amount Representing Interest	<u>(303,433)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 2,124,858</u></u>

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Hardin County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, the capital outlay note, and the other loan outstanding were issued for original terms of up to 35 years for bonds, five years for the note, and 13 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease

over the term of the debt. All bonds, the note, and the other loan included in long-term debt as of June 30, 2017, will be retired from the General Debt Service and Rural Debt Service funds.

General obligation bonds, the capital outlay note, capital leases, and the other loan outstanding as of June 30, 2017, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
General Obligation Bonds	2.84 to 3.89 %	6-1-44	\$ 36,000,000	\$ 30,800,000
General Obligation Bonds - Refunding	2 to 2.75	6-1-37	10,500,000	10,015,000
Capital Outlay Note	2.25	10-20-20	750,000	600,000
Other Loan	1	7-1-29	1,330,336	1,330,336
Capital Leases	2.845 to 5.38	11-20-26	3,385,373	2,124,858

The annual requirements to amortize all general obligation bonds, the note, and the other loan outstanding as of June 30, 2017, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 1,435,000	\$ 1,955,039	\$ 3,390,039
2019	1,470,000	1,905,676	3,375,676
2020	1,510,000	1,853,334	3,363,334
2021	1,555,000	1,797,907	3,352,907
2022	1,600,000	1,738,964	3,338,964
2023-2027	8,290,000	7,716,362	16,006,362
2028-2032	6,720,000	6,137,113	12,857,113
2033-2037	8,045,000	4,388,575	12,433,575
2038-2042	6,965,000	2,308,438	9,273,438
2043-2044	3,225,000	299,125	3,524,125
Total	\$ 40,815,000	\$ 30,100,533	\$ 70,915,533

Year Ending June 30	Note		
	Principal	Interest	Total
2018	\$ 150,000	\$ 11,981	\$ 161,981
2019	150,000	8,559	158,559
2020	150,000	5,147	155,147
2021	150,000	1,716	151,716
Total	\$ 600,000	\$ 27,403	\$ 627,403

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2018	\$ 96,093	\$ 11,795	\$ 107,888
2019	105,840	11,856	117,696
2020	106,896	10,800	117,696
2021	107,976	9,720	117,696
2022	109,056	8,640	117,696
2023-2027	561,960	26,520	588,480
2028-2030	242,515	2,642	245,157
Total	<u>\$ 1,330,336</u>	<u>\$ 81,973</u>	<u>\$ 1,412,309</u>

There is \$3,634,760 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$1,568, based on the 2010 federal census. Total debt per capita, including bonds, the note, the other loan, capital leases, and unamortized debt premiums totaled \$1,734, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-17
<u>Capital Lease</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Management Project	\$ 1,306,025
<u>Other Loan</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficient School Initiative	<u>1,330,336</u>
Total	<u>\$ 2,636,361</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loan
Balance, July 1, 2016	\$ 42,200,000	\$ 753,950	\$ 0
Additions	0	0	1,330,336
Reductions	(1,385,000)	(153,950)	0
Balance, June 30, 2017	<u>\$ 40,815,000</u>	<u>\$ 600,000</u>	<u>\$ 1,330,336</u>
Balance Due Within One Year	<u>\$ 1,435,000</u>	<u>\$ 150,000</u>	<u>\$ 96,093</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2016	\$ 1,885,255	\$ 148,144	\$ 297,453
Additions	642,115	219,417	3,768
Reductions	(402,512)	(197,093)	(7,616)
Balance, June 30, 2017	<u>\$ 2,124,858</u>	<u>\$ 170,468</u>	<u>\$ 293,605</u>
Balance Due Within One Year	<u>\$ 272,160</u>	<u>\$ 132,409</u>	<u>\$ 7,616</u>

	Other Postemployment Benefits
Balance, July 1, 2016	\$ 262,474
Additions	42,961
Reductions	(20,435)
Balance, June 30, 2017	<u>\$ 285,000</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 45,619,267
Less: Balance Due Within One Year	(2,093,278)
Add: Unamortized Premium on Debt	<u>255,808</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 43,781,797</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Hardin County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hardin County School Department for the year ended June 30, 2017, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits	Net Pension Liability - Teacher Legacy Pension Plan
Balance, July 1, 2016	\$ 570,184	\$ 5,775,568	\$ 142,919
Additions	328,978	907,130	5,731,505
Reductions	(403,508)	(521,319)	(3,638,205)
Balance, June 30, 2017	<u>\$ 495,654</u>	<u>\$ 6,161,379</u>	<u>\$ 2,236,219</u>
Balance Due Within One Year	<u>\$ 175,470</u>	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 8,893,252
Less: Balance Due Within One Year	<u>(175,470)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,717,782</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School, School Federal Projects, and Central Cafeteria funds. Other postemployment benefits and the pension liability will be paid from the General Purpose School and School Federal Projects funds.

F. On-Behalf Payments - Discretely Presented Hardin County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2017, were \$147,800 and \$42,875, respectively. The School Department has recognized

these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Hardin County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Workers' Compensation Insurance

Hardin County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Employee Health Insurance

Hardin County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *TCA*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The discretely presented Hardin County School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Employee Health Insurance

The discretely presented Hardin County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

Employee Dental Insurance

The Hardin County School Department has chosen to establish the Employee Insurance Fund for risks associated with the School Department employees' dental insurance plan. The Employee Insurance Fund is accounted for as an internal service fund in which assets are set aside for claim settlements. The School Department is responsible for maximum benefits equal to \$1,000 per employee per year. Employees are responsible for any amount beyond the maximum benefit.

All full-time employees of the Hardin County School Department are eligible to participate. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance Fund establishes claims liabilities based on estimates of the ultimate costs of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two years are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2015-16	\$ 6,467	\$ 217,602	\$ 213,952	\$ 10,117
2016-17	10,117	215,227	213,999	11,345

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and No. 57. It also includes requirements for defined contribution OPEB plans that replace the requirements in Statements No. 25, No. 43, and No. 50. The scope of this statement includes OPEB plans, both defined benefit and defined contribution, administered through trusts meeting the necessary criteria as well as reporting assets accumulated through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 77, establishes reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through a cost-sharing multiple-employer pension plans that are not state or local plans and meet specific other criteria. This statement establishes recognition, measurement, and reporting criteria for these plans.

GASB Statement No. 80, amends the blending requirements of paragraph 53 of Statement No. 14. This standard adds additional blending criterion, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 amends Statements No. 67, No. 68, and No. 73. This standard establishes covered payroll as the payroll on which contributions to a pension plan are based in the Required Supplementary Information. In addition, this standard clarifies that employer paid member contributions should be considered plan member contributions for purposes of applying Statement No. 67, and employee contributions for the purposes of applying Statement No. 68. This standard further states that an employer's expense and expenditures for employer paid member contributions should be recognized in the period for which the contribution is assessed and classified in the same manner that the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

C. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the medical center. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2017, \$3,099,000 has been repaid leaving a balance of \$4,901,000. Future principal requirements for the entire loan at June 30, 2017, were \$4,901,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2017, the variable interest rate was .57 percent.

The attorneys for the county and School Department advised that there were no pending lawsuits, unasserted claims, or assessments that would materially affect the county or School Department's financial statements.

D. Change in Administration

On May 31, 2017, Linda Franks left the Office of Accounting and Budget Director and was succeeded by Dianne Prince.

E. Landfill Postclosure Care Costs

Hardin County and the City of Savannah have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hardin County and the City of Savannah closed their sanitary landfill in 1998.

Hardin County and the City of Savannah each agreed to pay 50 percent of the postclosure costs. The \$293,605 reported as postclosure care liability at June 30, 2017, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Savannah-Hardin County Airport is operated through a joint operations agreement between Hardin County and the City of Savannah. The agreement created a joint board of directors to manage the airport. The board comprises seven members, three of whom are appointed by the Hardin County Commission, three by the City of Savannah, and one member that Hardin County and the City of Savannah alternate appointing. Hardin County has control over budgeting and financing the joint venture only to the extent of its representation by its board members.

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Hardin County made no contributions to the DTF for the year ended June 30, 2017.

Hardin County does not have an equity interest in the above-noted joint ventures. Complete financial statements for the Savannah-Hardin County Airport and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Savannah-Hardin County Airport
100 Airport Lane
Savannah, TN 38372

Office of District Attorney General
Twenty-fourth Judicial District
P. O. Box 686
Huntingdon, TN 38344

G. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Hardin County and non-certified employees of the discretely presented Hardin County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 67.16 percent and the non-certified employees of the discretely presented School Department comprised 32.84 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	216
Inactive Employees Entitled to But Not Yet Receiving Benefits	271
Active Employees	<u>304</u>
Total	<u><u>791</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Hardin County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contribution for Hardin County was \$718,633 based on a rate of ten percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hardin County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Hardin County's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period

July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	6.46 %	33 %
Developed Market		
International Equity	6.26	17
Emerging Market		
International Equity	6.40	5
Private Equity and		
Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Hardin County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance

with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	\$ 24,340,548	\$ 24,813,234	\$ (472,686)
Changes for the year:			
Service Cost	\$ 619,117	\$ 0	\$ 619,117
Interest	1,831,745	0	1,831,745
Differences Between Expected and Actual Experience	(662,250)	0	(662,250)
Contributions-Employer	0	720,802	(720,802)
Contributions-Employees	0	344,947	(344,947)
Net Investment Income	0	658,870	(658,870)
Benefit Payments, Including Refunds of Employee Contributions	(1,072,791)	(1,072,791)	0
Administrative Expense	0	(22,461)	22,461
Other Changes	0	5,329	(5,329)
Net Changes	\$ 715,821	\$ 634,696	\$ 81,125
Balance, June 30, 2016	\$ 25,056,369	\$ 25,447,930	\$ (391,561)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

			Total Pension Liability		Plan Fiduciary Net Position		Net Pension Liability (Asset)
Primary Government	67.16 %	\$	16,827,858	\$	17,090,830	\$	(262,972)
School Department	32.84		8,228,511		8,357,100		(128,589)
Total		\$	25,056,369	\$	25,447,930	\$	(391,561)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Hardin County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Hardin County	6.5%	7.5%	8.5%
Net Pension Liability	\$ 2,637,163	\$ (391,561)	\$ (2,932,595)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative Pension Expense. For the year ended June 30, 2017, Hardin County recognized pension expense of \$120,578.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, Hardin County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 731,026
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	854,784	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	718,633	N/A
Total	<u>\$ 1,573,417</u>	<u>\$ 731,026</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 1,065,032	\$ 490,957
School Department	508,385	240,069
Total	<u>\$ 1,573,417</u>	<u>\$ 731,026</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (142,383)
2019	(142,383)
2020	300,735
2021	107,789
2022	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Hardin County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Hardin County and non-certified employees of the discretely presented Hardin County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 67.16 percent and the non-certified employees of the discretely presented School Department comprised 32.84 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Hardin County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were \$52,196, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2017, the Hardin County School Department reported an asset of \$19,104 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hardin County School Department's proportion of the net pension asset was based on the Hardin County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Hardin County School Department's proportion was .183511 percent. The revised proportion measured as of June 30, 2015, was .076724 percent.

Pension Expense. For the year ended June 30, 2017, the Hardin County School Department recognized pension expense of \$15,745.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Hardin County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,851	\$ 2,203
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,128	0
Changes in proportion of Net Pension Liability (Asset)	0	2,995
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	52,196	N/A
Total	<u>\$ 57,175</u>	<u>\$ 5,198</u>

The Hardin County School Department's employer contributions of \$52,196, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 524
2019	524
2020	524
2021	374
2022	(296)
Thereafter	(1,869)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset

allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Hardin County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Hardin County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$	9,021	\$	(19,104)	\$	(39,827)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Hardin County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the

change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Hardin County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were \$1,162,498, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability (Assets). At June 30, 2017, the Hardin County School Department reported a liability of \$2,236,219 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Hardin County School Department's proportion of the net pension liability (asset) was based on the Hardin County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Hardin County School Department's proportion was .357827 percent. The proportion measured at June 30, 2015, was .348894 percent.

Pension Expense. For the year ended June 30, 2017, the Hardin County School Department recognized pension expense of \$239,987.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Hardin County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 94,108	\$ 2,707,320
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,496,768	0
Changes in Proportion of Net Pension Liability (Asset)	67,752	148,401
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	1,162,498	N/A
Total	<u>\$ 3,821,126</u>	<u>\$ 2,855,721</u>

The Hardin County School Department's employer contributions of \$1,162,498 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (441,983)
2019	(441,983)
2020	755,715
2021	94,030
2022	(162,872)
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	6.46	%	33	%
Developed Market				
International Equity	6.26		17	
Emerging Market				
International Equity	6.40		5	
Private Equity and				
Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Hardin County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Hardin County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$ 12,279,461	\$ 2,236,219	\$ (6,083,151)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

H. **Other Postemployment Benefits (OPEB)**

Plan Description

Hardin County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for health care benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <https://www.tn.gov/finance/fa/fa-accounting-financial/fa-acffin-cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for both professional and support employees who retire with at least 30 years of creditable service with the Tennessee Consolidated Retirement System, and have had uninterrupted employment with the School Department for the last

20 years. Currently, 34 professional and three support retirees are participating in the 2016-17 fiscal year. The School Department contributes 55 percent toward the individual premium for each eligible professional employee, and 100 percent toward the individual premium of each eligible support employee. The School Department pays this calculated amount directly to the State Insurance Plan for each eligible retiree monthly to pay the health insurance premium until the retiree reaches Medicare eligibility or is deceased. During the year, this contribution was \$161,614. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2017, Hardin County and the School Department contributed \$11,131 and \$521,319, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 908,000	\$ 43,000
Interest on the NOPEBO	216,584	9,843
Adjustment to the ARC	(217,454)	(9,882)
Annual OPEB cost	\$ 907,130	\$ 42,961
Less: Amount of contribution	(521,319)	(11,131)
Adjustment to Align ARC with AAL	0	(9,304)
Increase/decrease in NOPEBO	\$ 385,811	\$ 22,526
Net OPEB obligation, 7-1-16	5,775,568	262,474
Net OPEB obligation, 6-30-17	\$ 6,161,379	\$ 285,000

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Local Education Group	\$ 874,901	51%	\$ 5,357,408
6-30-16	"	877,193	52	5,775,568
6-30-17	"	907,130	57	6,161,379
6-30-15	Local Government Group	26,228	68	229,507
6-30-16	"	40,966	20	262,474
6-30-17	"	42,961	26	285,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-15	7-1-15
Actuarial accrued liability (AAL)	\$ 8,434,000	\$ 285,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 8,434,000	\$ 285,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 15,678,881	\$ 5,150,133
UAAL as a % of covered payroll	54%	6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of six percent in fiscal year 2017, and then be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

Chapter 62, Private Acts of 1997, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Hardin County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

J. Subsequent Events

On October 2, 2017, Hardin County issued capital outlay notes totaling \$160,000, for additional parking at the courthouse.

County Clerk Connie Stephens passed away on October 10, 2017, and was succeeded by Paula Wilhite, effective November 20, 2017.

On December 1, 2017, Hardin County entered a capital lease totaling \$216,074, for a front-load refuse truck.

On December 4, 2017, Hardin County issued capital outlay notes totaling \$250,000, for future jail expansion and parking.

On December 8, 2017, Hardin County entered a capital lease totaling \$123,435, for three patrol cars.

Highway Commissioner Paul Blount passed away on December 30, 2017. As of the date of this report, a successor has not been appointed.

VI. OTHER NOTES – PARK REST HARDIN COUNTY HEALTH CENTER (ENTERPRISE FUND)

A. General Information

1. General

The Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee, area who do not require the degree of care and treatment a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services, which can be made available to them through institutional facilities.

2. Reporting Entity

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity, and the Hardin County Commission is responsible for appointing each member of the nursing home committee, which oversees Park Rest's operations. In addition, the nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The accounts of Park Rest are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital

maintenance, public policy, management control, accountability, or other purposes.

2. **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Park Rest's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

3. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include charges due from insurance companies and private-pay families.

Inventory

Inventory is valued at the lower of cost (FIFO) or market and consists entirely of supplies.

Capital Assets

All capital assets of Park Rest are recorded at historical cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2017.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2017.

Net Position Flow Assumption

Sometimes Park Rest will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is Park Rest's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In Park Rest's financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

C. Related-party Transactions

During the year, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. The charges for the laundry services approximated Hardin Home's actual costs of providing the services. The total laundry charges for the year were \$144,926.

Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximated Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$235,638.

Some employees work for both facilities, and each facility is responsible for its share of applicable payroll expenses.

Hardin County has contracted with the owner of Hardin Home to manage Park Rest. The management fee was five percent of the revenues received by the facility from all sources and equaled \$145,670 in 2017.

Park Rest is responsible to pay the county a monthly administrative fee equal to three percent of revenues. For 2017, that fee totaled \$87,402.

D. Risk Management

Park Rest is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds, personal and professional liability, and property destruction. There have been no significant reductions in insurance coverage. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

E. Custodial Credit Risk – Deposits

Park Rest's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. Park Rest does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

As of June 30, 2017, Park Rest's deposits were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

F. Concentration of Credit Risk

Approximately 95 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. Approximately 99 percent of the accounts receivable balance at June 30, 2017, was due from the State of Tennessee under the Medicaid program.

G. Compensated Absences

Each employee earns one week of vacation after one year of employment and two weeks of vacation after ten years of employment. An employee is paid for accrued vacation only if the employee is laid off. Unused accrued vacation is forfeited by the employee at the end of each calendar year.

H. Trust Funds

Trust funds, as used in the Statement of Net Position, represent patients' funds held by the nursing home in trust for patients and can only be used upon the patients' approval.

I. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance 7-1-16	Increases	Balance 6-30-17
Capital Assets Not Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Capital Assets Depreciated:			
Building and Improvements	\$ 1,148,001	\$ 4,585	\$ 1,152,586
Furniture and Fixtures	85,517	0	85,517
Equipment	369,473	27,823	397,296
Total Capital Assets Depreciated	\$ 1,602,991	\$ 32,408	\$ 1,635,399
Less Accumulated Depreciation For:			
Building and Improvements	\$ (880,973)	\$ (27,656)	\$ (908,629)
Furniture and Fixtures	(70,121)	(2,158)	(72,279)
Equipment	(359,200)	(10,036)	(369,236)
Total Accumulated Depreciation	\$ (1,310,294)	\$ (39,850)	\$ (1,350,144)
Total Capital Assets Depreciated, Net	\$ 292,697	\$ (39,850)	\$ 285,255
Total Capital Assets, Net	\$ 319,397	\$ (7,442)	\$ 311,955

Fully depreciated assets at June 30, 2017, totaled \$504,912.

J. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. Nature of Operations

Hardin Medical Center (HMC) is a community medical center located in Savannah, Tennessee, providing general and specialized medical services to patients. The Hardin County Commission is responsible for appointing each member of the medical center's Board of Commissioners. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center (HMCHRC), which is an intermediate and skilled-care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. Governmental Accounting Standards Board (GASB) *Accounting Standards Codification* is the sole source of authoritative accounting technical literature for governmental entities in the United States of America.

2. Principles of Consolidation

These consolidated financial statements include the medical center, HMCHRC, and the HMC Physician Services, Inc. All significant intercompany accounts and transactions have been eliminated.

3. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months.

Cash and cash equivalents include cash on hand and certificates of deposit with original maturities of less than three months with financial institutions. Investments consist of certificates of deposit with original maturities of greater than three months. Those investments with original maturities greater than three months but less than one year are classified as short-term investments, while the remaining amount is classified as long-term. These investments are reported at fair market value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

The medical center's policies limit deposits and investments to those instruments allowed by applicable state laws. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the medical center's agent in the medical center's name, or by the Federal Reserve Banks acting as third party agents. State statutes authorize the medical center to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposits at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. All of the medical center's cash and cash equivalents and investments

are insured and collateralized by securities held by the financial institutions' trust department in the medical center's name or through the Tennessee Bank Collateral Pool.

At June 30, 2017, the total carrying value of the medical center's cash, cash equivalents, and investments was \$25,412,776, and the bank balance was \$25,420,183.

4. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

5. Patient Accounts Receivable

The medical center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The medical center provides an allowance for uncollectible accounts based on a review of outstanding receivables, historical collection information, and existing economic conditions.

6. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2), and the reporting entity's own assumptions about market participant assumptions (Level 3). The medical center had \$3,693,414 as of June 30, 2017, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2017.

7. Property and Equipment

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of \$5,000 and have a useful life greater than one year. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-30 years; buildings and improvements 5-50 years; equipment 3-20 years; and furniture and fixtures 5-30 years. Assets

under capital lease obligations are included in property and equipment and the related amortization and accumulated amortization are included in depreciation and amortization expense and accumulated depreciation and amortization, respectively.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

8. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$112 million for the year ended June 30, 2017. Approximately 34 percent of net patient service revenue was from Medicare for the year ended June 30, 2017. Approximately 10 percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2017.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The costs of providing charity care are estimated based on the ratio of total costs to gross charges and totaled approximately \$552,000 for the year ended June 30, 2017.

9. Operating Activities

The medical center defines operating activities as reported in the Consolidated Statement of Revenue, Expenses, and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Nonexchange transactions, including contributions and grants, as well as interest income and interest expense, are considered nonoperating revenues and expenses.

10. Employee Benefit Plans

Medical center employees are covered under the Public Employee Pension Plan of Tennessee Consolidated Retirement System (TCRS), a defined benefit plan, or a 403(b) defined contribution plan.

11. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the medical center's participation in TCRS, and additions to/deductions from the medical center's fiduciary net position have been determined on the same basis as they are reported by TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. See Note VII.H for further information related to the pension plan.

12. Compensated Absences

The medical center provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The qualifying date for receiving annual vacation is the employees' full-time anniversary date and is based on the table below. Such days may be taken only after the employee has earned them. All earned days must be taken within 24 months from the anniversary date earned. Such liabilities have been accrued in the accompanying Statement of Net Position.

<u>Years of Service</u>	<u>Days Earned Per Year</u>
1-7	10
8-15	15
16 or more	20

Employees must use paid time off days for the first two days of an illness and paid sick days thereafter. No payment is made for accumulated sick leave when an employee terminates employment.

13. Risk Management

The medical center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such

matters. The medical center is self-insured for employee health claims and judgments.

14. Net Position

The medical center's net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center, including amounts related to the county's contributions and bond indebtedness restricted for specific purposes. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The medical center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2017, there was no permanently or temporarily restricted net position.

15. Income Taxes

The medical center is a not-for-profit corporation as described in Chapter 176 of the Private Acts and is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

16. Performance Indicator

Excess of revenue over expenses reflected in the accompanying Statement of Revenue, Expenses, and Changes in Net Position is a performance indicator.

17. Adoption of New Accounting Pronouncements

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement was to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This standard was effective for fiscal years beginning after June 15, 2016. Therefore, the medical center adopted this standard at the beginning of fiscal year 2017.

The adoption of this accounting standard did not have a material impact on the medical center's financial statements.

18. New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. This accounting standard is effective for fiscal years beginning after December 15, 2018; however, early adoption of this standard is permitted.

In January 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses accounting and financial reporting issues related to the blending of a component unit, goodwill, fair value measurement and application, and postemployment benefits. This accounting standard is effective for fiscal years beginning after June 15, 2017; however, early adoption of this standard is permitted.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. This accounting standard is effective for fiscal years beginning after December 15, 2019; however, early adoption of this standard is permitted.

The medical center is currently assessing the impact of adopting these accounting standards.

19. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. Events Occurring After Reporting Date

The medical center has evaluated events and transactions that occurred between year-end and the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs, which include Medicare, Medicaid, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to patient service revenue of approximately \$404,000 for the year ended June 30, 2017.

1. Medicare

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient and emergency medical services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. Medicaid

The Medicaid program reimburses HMCHRC for the cost of services rendered to Medicaid beneficiaries at a prospective rate, which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid. The reimbursement cap is expressed as a per diem.

3. **TennCare**

The State of Tennessee TennCare program is a managed care program, which provides health care coverage to those previously eligible for Medicaid. The medical center contracts with various managed care organizations (MCO's), which offer Health Maintenance Organization (HMO) health care products. Reimbursement to the medical center is received through per diems, Diagnosis-Related Group (DRG) payments and discounted fees for service.

4. **Commercial Payors**

The medical center has entered into payment agreements with certain commercial insurance carriers, HMO's, and Preferred Provider Organizations. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge and discounts from established rates.

5. **Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2017, the medical center had net receivables from the federal government (Medicare) of approximately \$1,080,000, and from Medicaid/TennCare of approximately \$375,000.

6. **Meaningful Use Payments from Medicare and Medicaid**

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningful use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital that is able to meet the meaningful use criteria, must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will

decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The medical center received approximately \$87,000 from Medicare in 2017 relating to the final settlement for the fiscal year 2013 payment. The income is reported within other revenue on the accompanying statements of revenue, expenses and changes in net position. The medical center has not received (paid) a final settlement payment (refund) for fiscal years 2014, 2015, or 2016.

D. Inventories

A summary of inventories as of June 30, 2017, is as follows:

Pharmacy	\$ 626,571
Dietary	11,695
Departmental	<u>597,468</u>
Total	<u>\$ 1,235,734</u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2017, are as follows:

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 274,533	\$ 0	\$ 0	\$ 274,533
Construction in Progress	0	7,963	0	7,963
Total Capital Assets Not Depreciated	\$ 274,533	\$ 7,963	\$ 0	\$ 282,496
Capital Assets Depreciated:				
Land Improvements	\$ 187,257	\$ 0	\$ 0	\$ 187,257
Buildings	19,249,560	0	0	19,249,560
Equipment	9,637,086	594,830	377,335	9,854,581
Furniture and Fixtures	276,623	0	0	276,623
Assets Under Capital Lease	1,389,042	0	17,666	1,371,376
Total Capital Assets Depreciated	\$ 30,739,568	\$ 594,830	\$ 395,001	\$ 30,939,397
Less Accumulated Depreciation For:				
Land Improvements	\$ 174,123	\$ 5,780	\$ 0	\$ 179,903
Buildings	8,158,462	683,373	0	8,841,835
Equipment	6,692,189	759,563	307,913	7,143,839
Furniture and Fixtures	210,155	19,089	0	229,244
Assets Under Capital Lease	1,367,786	6,073	17,666	1,356,193
Total Accumulated Depreciation	\$ 16,602,715	\$ 1,473,878	\$ 325,579	\$ 17,751,014
Total Capital Assets Depreciated, Net	\$ 14,136,853	\$ (879,048)	\$ 69,422	\$ 13,188,383
Total Capital Assets, Net	\$ 14,411,386	\$ (871,085)	\$ 69,422	\$ 13,470,879

No interest costs were capitalized during the year ended June 30, 2017.

F. Ambulance Service

Hardin County paid the construction cost of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the medical center is responsible for operating the Ambulance Service. Expenditures by the county since the medical center began operating the Ambulance Service in 1997 totaled \$2,235,766 at June 30, 2017. This amount is not reflected within property and equipment in the accompanying consolidated financial statements. In addition, the county provides an annual subsidy to defray costs incurred in operating the Ambulance Service. For the year ended June 30, 2017, the annual subsidy was \$100,000, which is reflected

within other nonoperating revenues on the accompanying consolidated Statement of Revenue, Expenses, and Changes in Net Position. This annual allocation is in addition to the cumulative expenditures mentioned above.

For the year ended June 30, 2017, the medical center received an additional \$140,000 from the county to reimburse the medical center for the purchase of an ambulance and power-lift. The reimbursement and corresponding expense incurred by the medical center are reported within other expenses on the accompanying consolidated Statement of Revenue, Expenses, and Changes in Net Position.

G. Long-term Debt and Capital Lease Obligations

The major types and changes in the medical center's long-term debt and capital lease obligations as of and for the year ended June 30, 2017, is as follows:

	Balance 7-1-16	Reductions	Balance 6-30-17	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	\$ 17,500	\$ 17,500	\$ 0	\$ 0
Tennessee Valley - Electric Cooperative Series 2010	349,453	82,224	267,229	82,224
Public Building Authority of the County of Montgomery - Series 2003	5,173,000	272,000	4,901,000	281,000
Capital Lease Obligations	1,580,626	150,963	1,429,663	154,734
Total	<u>\$ 7,120,579</u>	<u>\$ 522,687</u>	<u>\$ 6,597,892</u>	<u>\$ 517,958</u>

During July 2003, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, (building authority) whereby, the building authority loaned the medical center \$8 million for improvements to the medical center. The loan agreement bears interest at an adjustable rate (.57 percent as of June 30, 2017), and is due May 31, 2031. The variable interest rate is adjusted weekly as determined by the remarketing agent. The loan is guaranteed by Hardin County.

Pursuant to the agreements for the building authority loans, if the principal of all bonds issued under such loans are accelerated and the bonds are paid by the remarketing agent, the repayment schedule applicable to such loans shall be recalculated over a term of 60 months from the date of such acceleration. The interest rate on the loan amounts after such acceleration shall adjust to the prime rate as defined in the agreements.

During January 2007, the medical center borrowed \$300,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance new computer software. The note did not bear interest, and principal was to be repaid in monthly installments of \$2,500. The note was fully repaid in January 2017. Security was a certificate of deposit and an irrevocable standby letter of credit.

During July 2010, the medical center borrowed an additional \$740,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance construction on the cancer treatment center. The note bears no interest, and principal is to be repaid in monthly installments of \$6,852 through September 2020. Security is a certificate of deposit and an irrevocable standby letter of credit.

The medical center has entered into capital lease agreements to finance the acquisition of certain equipment. The agreements require monthly principal and interest payments of \$15,692 through November 2025.

A summary of approximate future maturities and interest of long-term debt and capital lease obligations as of June 30, 2017, is as follows:

Year Ending June 30	Bonds		
	Principal	Estimated Interest	Total Payments
2018	\$ 281,000	\$ 28,000	\$ 309,000
2019	291,000	26,000	317,000
2020	300,000	25,000	325,000
2021	310,000	23,000	333,000
2022	321,000	21,000	342,000
2023-2027	1,771,000	78,000	1,849,000
2028-2031	1,627,000	23,000	1,650,000
Total	\$ 4,901,000	\$ 224,000	\$ 5,125,000

Year Ending June 30	Other Long-term Debt	
	Principal	Total Payments
2018	\$ 82,000	\$ 82,000
2019	82,000	82,000
2020	82,000	82,000
2021	21,229	21,229
Total	<u>\$ 267,229</u>	<u>\$ 267,229</u>

Year Ending June 30	Capital Lease Obligations		
	Principal	Estimated Interest	Total Payments
2018	\$ 155,000	\$ 34,000	\$ 189,000
2019	159,000	30,000	189,000
2020	163,000	26,000	189,000
2021	167,000	22,000	189,000
2022	171,000	18,000	189,000
2023-2026	614,663	27,000	641,663
Total	<u>\$ 1,429,663</u>	<u>\$ 157,000</u>	<u>\$ 1,586,663</u>

Year Ending June 30	Total - All Debt		
	Principal	Estimated Interest	Total Payments
2018	\$ 518,000	\$ 62,000	\$ 580,000
2019	532,000	56,000	588,000
2020	545,000	51,000	596,000
2021	498,229	45,000	543,229
2022	492,000	39,000	531,000
2023-2026	2,385,663	105,000	2,490,663
2027-2031	1,627,000	23,000	1,650,000
Total	<u>\$ 6,597,892</u>	<u>\$ 381,000</u>	<u>\$ 6,978,892</u>

H. Pension Plan

General Information About the Pension Plan

Plan Description. Employees of the medical center are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent-multiple-employer pension plan administered by TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	141
Inactive Employees Entitled to But Not Yet Receiving Benefits	130
Active Employees	<u>52</u>
Total	<u><u>323</u></u>

Effective July 1, 2008, the medical center closed the plan to new participants. Those employees who were employed by the medical center prior to July 1, 2008, are eligible to accrue salary and service credits in the TCRS after the date the plan was closed. The medical center is responsible to continue to fund the retirement cost of the plan.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. For employees hired before July 1, 1986, the medical center had adopted a non-contributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Employees hired on and after July 1, 1986, contribute five percent of salary. The medical center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for the medical center were \$254,032 based on a rate of 11.34 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the medical center's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The medical center's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above, inclusive of inflation.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from the medical center will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	\$ 30,825,178	\$ 28,592,381	\$ 2,232,797
Changes for the year:			
Service Cost	\$ 306,808	\$ 0	\$ 306,808
Interest	2,252,576	0	2,252,576
Differences Between Expected and Actual Experience	(308,749)	0	(308,749)
Contributions-Employer	0	275,322	(275,322)
Contributions-Employees	0	118,138	(118,138)
Net Investment Income	0	734,390	(734,390)
Benefit Payments, Including Refunds of Employee Contributions	(2,195,289)	(2,195,289)	0
Administrative Expense	0	(4,093)	4,093
Net Changes	\$ 55,346	\$ (1,071,532)	\$ 1,126,878
Balance, June 30, 2016	\$ 30,880,524	\$ 27,520,849	\$ 3,359,675

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the medical center calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Medical Center			
Net Pension Liability	\$ 6,935,605	\$ 3,359,675	\$ 365,807

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2017, the medical center recognized pension expense of \$149,818. Pension expense is reported within employee benefits on the accompanying consolidated Statement of Revenue, Expenses, and Changes in Net Position.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the medical center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 154,374
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	897,557	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	254,032	N/A
Total	<u>\$ 1,151,589</u>	<u>\$ 154,374</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (100,174)
2019	54,201
2020	520,691
2021	268,465
2022	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

I. Deferred Contribution Plan

During July 2008, the medical center established the Hardin County General Hospital Retirement Savings Plan, a 403(b) plan, which covers full-time employees who choose not to participate, or are not allowed to participate, in the defined benefit pension plan described above. The plan is administered by the medical center and covers all full-time employees who are 18 years or older and have completed six months of service.

The medical center contributes three percent of compensation plus it will match half of each employee's contribution (up to an additional three percent). Employees are immediately vested in their elective salary deferral contributions plus actual earnings or losses thereon. Employees vest in the employer's contributions based on a five-year cliff and are fully vested after five years of continuous service.

Forfeitures are created when employees terminate employment prior to becoming fully vested in the employer contribution portion of their accounts. Such forfeitures first reduce plan expenses and then reduce the employer contributions to the plan. The board of trustees of the medical center have the authority to establish and amend the terms of the plans.

The total retirement plan expense associated with this plan for the year ended June 30, 2017, was \$494,482. Employee contributions to the plan for the year ended June 30, 2017, were \$511,545.

At June 30, 2017, the medical center reported a payable of \$47,677 for the outstanding amount of required contributions to the plan. This amount is included within accrued expenses and other current liabilities on the Statement of Net Position.

J. Commitments and Contingencies

1. Operating Commitments

The medical center leases various equipment and space under operating lease agreements. Rent expense was \$600,790 in 2017. The medical center does not have any material future minimum payments as all of the leases are on month-to-month terms. It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2017.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was \$201,464 in 2017 and is included in other operating revenue. Lease terms are yearly or month-to-month.

2. Insurance

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 individually and \$3,000,000 in the aggregate annually. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims.

Management is unaware of any incidents, which would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other health care benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to \$125,000 per year for each employee's medical claims. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Reserves included within accrued expenses on the accompanying Statement of Net Position, related to employee medical and other health care benefits totaled \$350,000 in 2017.

3. Health Care Industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The medical center is insured with respect to medical malpractice risk on a claims-made basis. The medical center also maintains insurance for general liability, director and officer liability, and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the medical center indemnifies certain officers and directors for actions taken on behalf of the medical center. Management is not aware of any claims against the medical center that would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the medical center is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Management continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability

Act of 1996 and other government statutes and regulations. The medical center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare and Medicaid payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2017, the medical center recorded a reserve for potential recoveries. The reserve of \$100,000 is included within accrued expenses on the accompanying Statement of Net Position at June 30, 2017. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

4. Health Care Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. The State of Tennessee has elected not to adopt Medicaid expansion, as proposed under the Health Care Reform Legislation, at this time. As such, the medical center does not anticipate a significant impact to occur for the Medicaid population. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the medical center's operations.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit F-1

Hardin County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 667,595	\$ 632,337	\$ 619,117
Interest	1,662,170	1,737,824	1,831,745
Differences Between Actual and Expected Experience	(360,377)	(95,122)	(662,250)
Benefit Payments, Including Refunds of Employee Contributions	(904,547)	(946,272)	(1,072,791)
Net Change in Total Pension Liability	\$ 1,064,841	\$ 1,328,767	\$ 715,821
Total Pension Liability, Beginning	21,946,940	23,011,781	24,340,548
Total Pension Liability, Ending (a)	\$ 23,011,781	\$ 24,340,548	\$ 25,056,369
Plan Fiduciary Net Position			
Contributions - Employer	\$ 782,221	\$ 757,660	\$ 720,802
Contributions - Employee	393,205	364,967	344,947
Net Investment Income	3,385,111	739,667	658,870
Benefit Payments, Including Refunds of Employee Contributions	(904,547)	(946,272)	(1,072,791)
Administrative Expense	(12,425)	(15,754)	(22,461)
Other	0	0	5,329
Net Change in Plan Fiduciary Net Position	\$ 3,643,565	\$ 900,268	\$ 634,696
Plan Fiduciary Net Position, Beginning	20,269,401	23,912,966	24,813,234
Plan Fiduciary Net Position, Ending (b)	\$ 23,912,966	\$ 24,813,234	\$ 25,447,930
Net Pension Liability (Asset), Ending (a - b)	\$ (901,185)	\$ (472,686)	\$ (391,561)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.92%	101.94%	101.56%
Covered Payroll	\$ 7,389,084	\$ 7,297,440	\$ 6,926,286
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(12.2)%	(6.48)%	(5.65)%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and the non-certified employees of the discretely presented School Department.

Hardin County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 782,221	\$ 757,660	\$ 720,802	\$ 298,951
Less Contributions in Relation to the Actuarially Determined Contribution	(782,221)	(757,660)	(720,802)	(718,633)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ (419,682)
Covered Payroll	\$ 7,389,084	\$ 7,297,440	\$ 6,926,286	\$ 7,186,330
Contributions as a Percentage of Covered Payroll	10.59%	10.38%	10.41%	10.00%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and the non-certified employees of the discretely presented School Department.

Exhibit F-3

Hardin County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Hardin County School Department
For the Fiscal Year Ended June 30

	2015	2016	2017
Contractually Required Contribution	\$ 6,511	\$ 32,298	\$ 52,196
Less Contributions in Relation to the Contractually Required Contribution	(6,511)	(32,298)	(52,196)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 162,771	\$ 807,463	\$ 1,304,900
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit F-4

Hardin County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Hardin County School Department
For the Fiscal Year Ended June 30

	2014	2015	2016	2017
Contractually Required Contribution	\$ 1,256,719	\$ 1,180,701	\$ 1,167,681	\$ 1,162,498
Less Contributions in Relation to the Contractually Required Contribution	(1,256,719)	(1,180,701)	(1,167,681)	(1,162,498)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 14,152,240	\$ 13,060,845	\$ 12,916,828	\$ 12,859,527
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%

Note: ten years of data will be presented when available.

Exhibit F-5

Hardin County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Retirement Plan of TCRS
Discretely Presented Hardin County School Department
For the Fiscal Year Ended June 30 *

	<u>2016</u>	<u>2017</u>
School Department's Proportion of the Net Pension Liability/Asset	0.076724%	0.183511%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,152)	\$ (19,104)
Covered Payroll	\$ 162,771	\$ 807,463
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Hardin County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Hardin County School Department
For the Fiscal Year Ended June 30 *

	<u>2015</u>	<u>2016</u>	<u>2017</u>
School Department's Proportion of the Net Pension Liability/Asset	0.360567%	0.348894%	0.357827%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (58,591)	\$ 142,919	\$ 2,236,219
Covered Payroll	\$ 14,152,240	\$ 13,060,845	\$ 12,916,828
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.41)%	1.09%	17.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-7

Hardin County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hardin County School Department
June 30, 2017

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-11	\$ 0	\$ 286	\$ 286	0%	\$ 4,823	6%
"	7-1-13	0	158	158	0	4,859	3
"	7-1-15	0	285	285	0	5,150	6
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-11	0	7,902	7,902	0	16,510	48
"	7-1-13	0	8,022	8,022	0	17,372	46
"	7-1-15	0	8,434	8,434	0	15,679	54

HARDIN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation,
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the county's garbage collection and convenience center operations.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register of deeds, and sheriff.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Hardin County that is subsequently contributed to the discretely presented Hardin County School Department for equipment purchases.

Exhibit G-1

Hardin County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

ASSETS

Cash
Equity in Pooled Cash and Investments
Accounts Receivable
Due from Other Governments
Property Taxes Receivable
Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES

Accounts Payable
Accrued Payroll
Payroll Deductions Payable
Due to Other Funds
Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
Deferred Delinquent Property Taxes
Other Deferred/Unavailable Revenue
Total Deferred Inflows of Resources

Special Revenue Funds			Total Nonmajor Governmental Funds
Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
\$ 0	\$ 0	\$ 404	\$ 404
353,154	52,587	0	405,741
25,413	0	0	25,413
159,070	0	0	159,070
184,907	0	0	184,907
(10,342)	0	0	(10,342)
<u>\$ 712,202</u>	<u>\$ 52,587</u>	<u>\$ 404</u>	<u>\$ 765,193</u>
\$ 7,365	\$ 0	\$ 0	\$ 7,365
8,375	649	0	9,024
765	52	0	817
0	0	404	404
<u>\$ 16,505</u>	<u>\$ 701</u>	<u>\$ 404</u>	<u>\$ 17,610</u>
\$ 167,547	\$ 0	\$ 0	\$ 167,547
6,097	0	0	6,097
78,977	0	0	78,977
<u>\$ 252,621</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 252,621</u>

(Continued)

Exhibit G-1

Hardin County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds (Cont.)

FUND BALANCES

Restricted:

 Restricted for Public Safety

Committed:

 Committed for Public Health and Welfare

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Special Revenue Funds				
Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds	
\$ 0	\$ 51,886	\$ 0	\$ 51,886	
443,076	0	0	443,076	
\$ 443,076	\$ 51,886	\$ 0	\$ 494,962	
\$ 712,202	\$ 52,587	\$ 404	\$ 765,193	

Exhibit G-2

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	Education Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 1,039,681	\$ 0	\$ 1,039,681	\$ 0	\$ 1,039,681
Fines, Forfeitures, and Penalties	0	32,105	32,105	0	32,105
Charges for Current Services	467,631	0	467,631	0	467,631
Other Local Revenues	8	0	8	0	8
State of Tennessee	0	4,600	4,600	0	4,600
Other Governments and Citizens Groups	5,497	0	5,497	0	5,497
Total Revenues	<u>\$ 1,512,817</u>	<u>\$ 36,705</u>	<u>\$ 1,549,522</u>	<u>\$ 0</u>	<u>\$ 1,549,522</u>
<u>Expenditures</u>					
Current:					
Public Safety	\$ 0	\$ 46,586	\$ 46,586	\$ 0	\$ 46,586
Public Health and Welfare	1,445,776	0	1,445,776	0	1,445,776
Other Operations	188,432	16,456	204,888	0	204,888
Capital Projects	0	0	0	1,330,336	1,330,336
Total Expenditures	<u>\$ 1,634,208</u>	<u>\$ 63,042</u>	<u>\$ 1,697,250</u>	<u>\$ 1,330,336</u>	<u>\$ 3,027,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (121,391)</u>	<u>\$ (26,337)</u>	<u>\$ (147,728)</u>	<u>\$ (1,330,336)</u>	<u>\$ (1,478,064)</u>
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 223,915	\$ 0	\$ 223,915	\$ 0	\$ 223,915
Other Loans Issued	0	0	0	1,330,336	1,330,336
Insurance Recovery	5,817	0	5,817	0	5,817
Transfers In	0	16,000	16,000	0	16,000
Total Other Financing Sources (Uses)	<u>\$ 229,732</u>	<u>\$ 16,000</u>	<u>\$ 245,732</u>	<u>\$ 1,330,336</u>	<u>\$ 1,576,068</u>
Net Change in Fund Balances	\$ 108,341	\$ (10,337)	\$ 98,004	\$ 0	\$ 98,004
Fund Balance, July 1, 2016	<u>334,735</u>	<u>62,223</u>	<u>396,958</u>	<u>0</u>	<u>396,958</u>
Fund Balance, June 30, 2017	<u>\$ 443,076</u>	<u>\$ 51,886</u>	<u>\$ 494,962</u>	<u>\$ 0</u>	<u>\$ 494,962</u>

Exhibit G-3

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,039,681	\$ 0	\$ 0	\$ 1,039,681	\$ 1,059,209	\$ 1,059,209	\$ (19,528)
Charges for Current Services	467,631	0	0	467,631	380,000	430,000	37,631
Other Local Revenues	8	0	0	8	0	0	8
Other Governments and Citizens Groups	5,497	0	0	5,497	9,250	9,250	(3,753)
Total Revenues	\$ 1,512,817	\$ 0	\$ 0	\$ 1,512,817	\$ 1,448,459	\$ 1,498,459	\$ 14,358
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 79,274	\$ (160)	\$ 0	\$ 79,114	\$ 79,010	\$ 79,310	\$ 196
Waste Pickup	660,271	0	0	660,271	692,536	909,568	249,297
Convenience Centers	330,417	(956)	487	329,948	331,100	344,100	14,152
Landfill Operation and Maintenance	375,814	0	0	375,814	318,500	382,200	6,386
<u>Other Operations</u>							
Other Charges	71,705	0	0	71,705	80,000	80,000	8,295
Employee Benefits	116,727	0	0	116,727	121,668	121,668	4,941
Total Expenditures	\$ 1,634,208	\$ (1,116)	\$ 487	\$ 1,633,579	\$ 1,622,814	\$ 1,916,846	\$ 283,267
Excess (Deficiency) of Revenues Over Expenditures	\$ (121,391)	\$ 1,116	\$ (487)	\$ (120,762)	\$ (174,355)	\$ (418,387)	\$ 297,625
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 223,915	\$ 0	\$ 0	\$ 223,915	\$ 234,656	\$ 458,571	\$ (234,656)
Insurance Recovery	5,817	0	0	5,817	0	5,817	0
Total Other Financing Sources	\$ 229,732	\$ 0	\$ 0	\$ 229,732	\$ 234,656	\$ 464,388	\$ (234,656)
Net Change in Fund Balance	\$ 108,341	\$ 1,116	\$ (487)	\$ 108,970	\$ 60,301	\$ 46,001	\$ 62,969
Fund Balance, July 1, 2016	334,735	(1,116)	0	333,619	287,911	287,911	45,708
Fund Balance, June 30, 2017	\$ 443,076	\$ 0	\$ (487)	\$ 442,589	\$ 348,212	\$ 333,912	\$ 108,677

Exhibit G-4

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 32,105	\$ 17,600	\$ 17,600	\$ 14,505
State of Tennessee	4,600	4,600	4,600	0
Total Revenues	<u>\$ 36,705</u>	<u>\$ 22,200</u>	<u>\$ 22,200</u>	<u>\$ 14,505</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 46,586	\$ 43,600	\$ 51,000	\$ 4,414
<u>Other Operations</u>				
Other Charges	2,040	2,040	2,040	0
Employee Benefits	14,416	14,666	14,666	250
Total Expenditures	<u>\$ 63,042</u>	<u>\$ 60,306</u>	<u>\$ 67,706</u>	<u>\$ 4,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,337)</u>	<u>\$ (38,106)</u>	<u>\$ (45,506)</u>	<u>\$ 19,169</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 16,000	\$ 16,000	\$ 16,000	\$ 0
Total Other Financing Sources	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (10,337)	\$ (22,106)	\$ (29,506)	\$ 19,169
Fund Balance, July 1, 2016	<u>62,223</u>	<u>56,249</u>	<u>56,249</u>	<u>5,974</u>
Fund Balance, June 30, 2017	<u><u>\$ 51,886</u></u>	<u><u>\$ 34,143</u></u>	<u><u>\$ 26,743</u></u>	<u><u>\$ 25,143</u></u>

Major Governmental Funds

Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the retirement of bonds and notes issued for the construction and renovation of the county's schools.

Exhibit H-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 228,694	\$ 233,731	\$ 233,731	\$ (5,037)
Other Local Revenues	141,533	131,200	131,200	10,333
State of Tennessee	4,274	20,000	20,000	(15,726)
Other Governments and Citizens Groups	508,626	543,785	702,659	(194,033)
Total Revenues	<u>\$ 883,127</u>	<u>\$ 928,716</u>	<u>\$ 1,087,590</u>	<u>\$ (204,463)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 878,851	\$ 878,852	\$ 878,852	\$ 1
Highways and Streets	165,000	165,000	165,000	0
Education	116,805	0	116,805	0
<u>Interest on Debt</u>				
General Government	255,672	446,309	446,309	190,637
Highways and Streets	41,222	41,223	41,223	1
Education	42,069	0	42,069	0
<u>Other Debt Service</u>				
General Government	44,075	49,600	49,600	5,525
Total Expenditures	<u>\$ 1,543,694</u>	<u>\$ 1,580,984</u>	<u>\$ 1,739,858</u>	<u>\$ 196,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (660,567)</u>	<u>\$ (652,268)</u>	<u>\$ (652,268)</u>	<u>\$ (8,299)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 722,028	\$ 722,029	\$ 722,029	\$ (1)
Total Other Financing Sources	<u>\$ 722,028</u>	<u>\$ 722,029</u>	<u>\$ 722,029</u>	<u>\$ (1)</u>
Net Change in Fund Balance	\$ 61,461	\$ 69,761	\$ 69,761	\$ (8,300)
Fund Balance, July 1, 2016	<u>1,703,449</u>	<u>1,696,101</u>	<u>1,696,101</u>	<u>7,348</u>
Fund Balance, June 30, 2017	<u>\$ 1,764,910</u>	<u>\$ 1,765,862</u>	<u>\$ 1,765,862</u>	<u>\$ (952)</u>

Exhibit H-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 382,268	\$ 378,000	\$ 378,000	\$ 4,268
Other Local Revenues	5,839	4,550	4,550	1,289
Federal Government	579,999	575,336	575,336	4,663
Other Governments and Citizens Groups	1,972,192	1,967,544	1,967,544	4,648
Total Revenues	<u>\$ 2,940,298</u>	<u>\$ 2,925,430</u>	<u>\$ 2,925,430</u>	<u>\$ 14,868</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 900,000	\$ 900,000	\$ 900,000	\$ 0
<u>Interest on Debt</u>				
Education	1,770,270	1,770,271	1,770,271	1
<u>Other Debt Service</u>				
Education	7,468	8,300	8,300	832
Total Expenditures	<u>\$ 2,677,738</u>	<u>\$ 2,678,571</u>	<u>\$ 2,678,571</u>	<u>\$ 833</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 262,560</u>	<u>\$ 246,859</u>	<u>\$ 246,859</u>	<u>\$ 15,701</u>
Net Change in Fund Balance	\$ 262,560	\$ 246,859	\$ 246,859	\$ 15,701
Fund Balance, July 1, 2016	1,607,290	1,594,989	1,594,989	12,301
Fund Balance, June 30, 2017	<u><u>\$ 1,869,850</u></u>	<u><u>\$ 1,841,848</u></u>	<u><u>\$ 1,841,848</u></u>	<u><u>\$ 28,002</u></u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Hardin County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 628,976	\$ 628,976
Due from Other Governments	658,560	0	658,560
Total Assets	<u>\$ 658,560</u>	<u>\$ 628,976</u>	<u>\$ 1,287,536</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 658,560	\$ 0	\$ 658,560
Due to Litigants, Heirs, and Others	0	628,976	628,976
Total Liabilities	<u>\$ 658,560</u>	<u>\$ 628,976</u>	<u>\$ 1,287,536</u>

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,623,921	\$ 3,623,921	\$ 0
Due from Other Governments	624,439	658,560	624,439	658,560
Total Assets	\$ 624,439	\$ 4,282,481	\$ 4,248,360	\$ 658,560
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 624,439	\$ 4,282,481	\$ 4,248,360	\$ 658,560
Total Liabilities	\$ 624,439	\$ 4,282,481	\$ 4,248,360	\$ 658,560
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 592,135	\$ 6,389,695	\$ 6,352,854	\$ 628,976
Total Assets	\$ 592,135	\$ 6,389,695	\$ 6,352,854	\$ 628,976
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 592,135	\$ 6,389,695	\$ 6,352,854	\$ 628,976
Total Liabilities	\$ 592,135	\$ 6,389,695	\$ 6,352,854	\$ 628,976
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 592,135	\$ 6,389,695	\$ 6,352,854	\$ 628,976
Equity in Pooled Cash and Investments	0	3,623,921	3,623,921	0
Due from Other Governments	624,439	658,560	624,439	658,560
Total Assets	\$ 1,216,574	\$ 10,672,176	\$ 10,601,214	\$ 1,287,536
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 624,439	\$ 4,282,481	\$ 4,248,360	\$ 658,560
Due to Litigants, Heirs, and Others	592,135	6,389,695	6,352,854	628,976
Total Liabilities	\$ 1,216,574	\$ 10,672,176	\$ 10,601,214	\$ 1,287,536

Hardin County School Department

This section presents combining and individual fund financial statements for the Hardin County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, one Capital Projects Fund, and an Internal Service Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

Exhibit J-1

Hardin County, Tennessee
Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 19,004,261	\$ 43,743	\$ 707,696	\$ 843,965	\$ (17,408,857)
Support Services	12,289,930	45,130	408,677	405,087	(11,431,036)
Operation of Non-instructional Services	3,428,145	219,228	2,736,734	81,284	(390,899)
Total Governmental Activities	<u>\$ 34,722,336</u>	<u>\$ 308,101</u>	<u>\$ 3,853,107</u>	<u>\$ 1,330,336</u>	<u>\$ (29,230,792)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 7,613,585
Local Option Sales Taxes					4,711,715
Other Local Taxes					19,611
Grants and Contributions Not Restricted to Specific Programs					16,970,369
Miscellaneous					123,763
Total General Revenues					<u>\$ 29,439,043</u>
Change in Net Position					\$ 208,251
Net Position, July 1, 2016					<u>31,407,256</u>
Net Position, June 30, 2017					<u><u>\$ 31,615,507</u></u>

Exhibit J-2

Hardin County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2017

	Major Fund	Nonmajor Funds	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,224,765	\$ 550,100	\$ 3,774,865
Accounts Receivable	2,156	0	2,156
Due from Other Governments	1,103,839	151,517	1,255,356
Due from Other Funds	149,333	0	149,333
Property Taxes Receivable	6,823,068	0	6,823,068
Allowance for Uncollectible Property Taxes	(381,613)	0	(381,613)
Total Assets	\$ 10,921,548	\$ 701,617	\$ 11,623,165
<u>LIABILITIES</u>			
Accounts Payable	\$ 21,092	\$ 12,808	\$ 33,900
Payroll Deductions Payable	168,606	0	168,606
Due to Other Funds	0	149,333	149,333
Due to Primary Government	294,548	0	294,548
Total Liabilities	\$ 484,246	\$ 162,141	\$ 646,387
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 6,182,474	\$ 0	\$ 6,182,474
Deferred Delinquent Property Taxes	225,040	0	225,040
Other Deferred/Unavailable Revenue	435,425	0	435,425
Total Deferred Inflows of Resources	\$ 6,842,939	\$ 0	\$ 6,842,939
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 4,035	\$ 4,035
Restricted for Instruction	6,545	0	6,545
Restricted for Operation of Non-instructional Services	0	503,149	503,149
Restricted for Capital Projects	0	32,292	32,292
Committed:			
Committed for Education	1,338,600	0	1,338,600
Unassigned	2,249,218	0	2,249,218
Total Fund Balances	\$ 3,594,363	\$ 539,476	\$ 4,133,839
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,921,548	\$ 701,617	\$ 11,623,165

Exhibit J-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented Hardin County School Department
June 30, 2017

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	4,133,839
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,202,917	
Add: buildings and improvements net of accumulated depreciation		35,482,560	
Add: other capital assets net of accumulated depreciation		<u>142,654</u>	36,828,131
(2) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.			89,294
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for capital lease	\$	(1,306,025)	
Less: contributions due on primary government debt for other loan		(1,330,336)	
Less: net pension liability - teacher legacy pension plan		(2,236,219)	
Less: compensated absences payable		(495,654)	
Less: other postemployment benefits liability		<u>(6,161,379)</u>	(11,529,613)
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	4,386,686	
Less: deferred inflows of resources related to pensions		<u>(3,100,988)</u>	1,285,698
(5) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			
Add: net pension asset - agent plan	\$	128,589	
Add: net pension asset - teacher retirement plan		<u>19,104</u>	147,693
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>660,465</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>31,615,507</u></u>

Exhibit J-4

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

	Major Fund	Nonmajor Funds	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 12,367,544	\$ 0	\$ 12,367,544
Licenses and Permits	836	0	836
Charges for Current Services	44,374	186,263	230,637
Other Local Revenues	173,095	17,497	190,592
State of Tennessee	16,995,401	0	16,995,401
Federal Government	77,670	5,017,822	5,095,492
Other Governments and Citizens Groups	0	1,330,336	1,330,336
Total Revenues	<u>\$ 29,658,920</u>	<u>\$ 6,551,918</u>	<u>\$ 36,210,838</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 14,930,169	\$ 1,583,763	\$ 16,513,932
Support Services	11,159,142	958,370	12,117,512
Operation of Non-Instructional Services	796,702	2,519,382	3,316,084
Capital Outlay	825,887	0	825,887
Debt Service:			
Other Debt Service	1,813,530	11,194	1,824,724
Capital Projects	0	1,616,647	1,616,647
Total Expenditures	<u>\$ 29,525,430</u>	<u>\$ 6,689,356</u>	<u>\$ 36,214,786</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 133,490</u>	<u>\$ (137,438)</u>	<u>\$ (3,948)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 4,212	\$ 0	\$ 4,212
Total Other Financing Sources (Uses)	<u>\$ 4,212</u>	<u>\$ 0</u>	<u>\$ 4,212</u>
Net Change in Fund Balances	\$ 137,702	\$ (137,438)	\$ 264
Fund Balance, July 1, 2016	<u>3,456,661</u>	<u>676,914</u>	<u>4,133,575</u>
Fund Balance, June 30, 2017	<u>\$ 3,594,363</u>	<u>\$ 539,476</u>	<u>\$ 4,133,839</u>

Exhibit J-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	264
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	3,017,695	
Less: current-year depreciation expense		(2,415,938)	601,757
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2017	\$	660,465	
Less: deferred delinquent property taxes and other deferred June 30, 2016		(679,246)	(18,781)
(3) The contributions of long-term debt (e.g., leases and other loans) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on lease to primary government	\$	116,805	
Less: other loan proceeds contributed from primary government		(1,330,336)	(1,213,531)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	74,530	
Change in other postemployment benefits liability		(385,811)	
Change in net pension asset - agent plan		(32,408)	
Change in net pension asset - teacher retirement plan		15,952	
Change in net pension liability - teacher legacy pension plan		(2,093,300)	
Change in deferred outflows related to pensions		2,836,542	
Change in deferred inflows related to pensions		422,483	837,988
(5) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.			554
Change in net position of governmental activities (Exhibit B)		\$	208,251

Exhibit J-6

Hardin County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 28,356	\$ 489,452	\$ 517,808	\$ 32,292	\$ 550,100
Due from Other Governments	137,820	13,697	151,517	0	151,517
Total Assets	<u>\$ 166,176</u>	<u>\$ 503,149</u>	<u>\$ 669,325</u>	<u>\$ 32,292</u>	<u>\$ 701,617</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 12,808	\$ 0	\$ 12,808	\$ 0	\$ 12,808
Due to Other Funds	149,333	0	149,333	0	149,333
Total Liabilities	<u>\$ 162,141</u>	<u>\$ 0</u>	<u>\$ 162,141</u>	<u>\$ 0</u>	<u>\$ 162,141</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Education	\$ 4,035	\$ 0	\$ 4,035	\$ 0	\$ 4,035
Restricted for Operation of Non-instructional Services	0	503,149	503,149	0	503,149
Restricted for Capital Projects	0	0	0	32,292	32,292
Total Fund Balances	<u>\$ 4,035</u>	<u>\$ 503,149</u>	<u>\$ 507,184</u>	<u>\$ 32,292</u>	<u>\$ 539,476</u>
Total Liabilities and Fund Balances	<u>\$ 166,176</u>	<u>\$ 503,149</u>	<u>\$ 669,325</u>	<u>\$ 32,292</u>	<u>\$ 701,617</u>

Exhibit J-7

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 186,263	\$ 186,263	\$ 0	\$ 186,263
Other Local Revenues	0	17,497	17,497	0	17,497
Federal Government	2,811,980	2,205,842	5,017,822	0	5,017,822
Other Governments and Citizens Groups	0	0	0	1,330,336	1,330,336
Total Revenues	<u>\$ 2,811,980</u>	<u>\$ 2,409,602</u>	<u>\$ 5,221,582</u>	<u>\$ 1,330,336</u>	<u>\$ 6,551,918</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,583,763	\$ 0	\$ 1,583,763	\$ 0	\$ 1,583,763
Support Services	958,370	0	958,370	0	958,370
Operation of Non-Instructional Services	269,313	2,250,069	2,519,382	0	2,519,382
Debt Service:					
Other Debt Service	0	0	0	11,194	11,194
Capital Projects	0	0	0	1,616,647	1,616,647
Total Expenditures	<u>\$ 2,811,446</u>	<u>\$ 2,250,069</u>	<u>\$ 5,061,515</u>	<u>\$ 1,627,841</u>	<u>\$ 6,689,356</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 534</u>	<u>\$ 159,533</u>	<u>\$ 160,067</u>	<u>\$ (297,505)</u>	<u>\$ (137,438)</u>
Net Change in Fund Balances	\$ 534	\$ 159,533	\$ 160,067	\$ (297,505)	\$ (137,438)
Fund Balance, July 1, 2016	3,501	343,616	347,117	329,797	676,914
Fund Balance, June 30, 2017	<u>\$ 4,035</u>	<u>\$ 503,149</u>	<u>\$ 507,184</u>	<u>\$ 32,292</u>	<u>\$ 539,476</u>

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,367,544	\$ 11,839,065	\$ 12,040,297	\$ 327,247
Licenses and Permits	836	1,100	1,100	(264)
Charges for Current Services	44,374	27,000	27,000	17,374
Other Local Revenues	173,095	43,226	297,226	(124,131)
State of Tennessee	16,995,401	16,887,891	16,976,432	18,969
Federal Government	77,670	9,600	57,100	20,570
Total Revenues	<u>\$ 29,658,920</u>	<u>\$ 28,807,882</u>	<u>\$ 29,399,155</u>	<u>\$ 259,765</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 12,124,021	\$ 12,381,995	\$ 12,408,995	\$ 284,974
Alternative Instruction Program	256,432	237,035	263,035	6,603
Special Education Program	1,611,660	1,638,815	1,656,015	44,355
Career and Technical Education Program	938,056	995,981	995,981	57,925
<u>Support Services</u>				
Attendance	177,425	180,963	183,463	6,038
Health Services	386,405	409,043	416,643	30,238
Other Student Support	945,610	978,617	981,617	36,007
Regular Instruction Program	881,801	993,475	975,975	94,174
Alternative Instruction Program	99,181	99,273	100,573	1,392
Special Education Program	180,752	182,710	186,410	5,658
Career and Technical Education Program	64,222	127,521	127,521	63,299
Other Programs	190,675	145,000	203,324	12,649
Board of Education	726,777	778,993	786,993	60,216
Director of Schools	199,305	223,761	223,761	24,456
Office of the Principal	1,526,948	1,551,137	1,556,137	29,189
Fiscal Services	206,832	213,338	213,338	6,506
Operation of Plant	2,658,083	2,227,365	2,817,019	158,936
Maintenance of Plant	798,810	581,210	817,210	18,400
Transportation	1,787,691	1,759,782	1,808,982	21,291
Central and Other	328,625	336,944	336,944	8,319
<u>Operation of Non-Instructional Services</u>				
Food Service	235,170	284,382	284,382	49,212
Early Childhood Education	561,532	549,315	561,532	0
<u>Capital Outlay</u>				
Regular Capital Outlay	825,887	0	1,000,000	174,113
<u>Principal on Debt</u>				
Education	0	371,805	0	0
<u>Interest on Debt</u>				
Education	0	77,069	0	0
<u>Other Debt Service</u>				
Education	1,813,530	1,482,353	1,908,227	94,697
Total Expenditures	<u>\$ 29,525,430</u>	<u>\$ 28,807,882</u>	<u>\$ 30,814,077</u>	<u>\$ 1,288,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 133,490</u>	<u>\$ 0</u>	<u>\$ (1,414,922)</u>	<u>\$ 1,548,412</u>

(Continued)

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,212	\$ 0	\$ 0	\$ 4,212
Total Other Financing Sources	\$ 4,212	\$ 0	\$ 0	\$ 4,212
Net Change in Fund Balance	\$ 137,702	\$ 0	\$ (1,414,922)	\$ 1,552,624
Fund Balance, July 1, 2016	3,456,661	2,794,533	2,794,533	662,128
Fund Balance, June 30, 2017	\$ 3,594,363	\$ 2,794,533	\$ 1,379,611	\$ 2,214,752

Exhibit J-9

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
School Federal Projects Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,811,980	\$ 2,969,287	\$ 3,200,969	\$ (388,989)
Total Revenues	\$ 2,811,980	\$ 2,969,287	\$ 3,200,969	\$ (388,989)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,014,224	\$ 1,022,373	\$ 1,093,994	\$ 79,770
Special Education Program	487,481	489,541	521,778	34,297
Career and Technical Education Program	82,058	86,381	86,518	4,460
<u>Support Services</u>				
Other Student Support	69,217	41,743	100,218	31,001
Regular Instruction Program	505,708	669,570	707,351	201,643
Special Education Program	281,699	258,679	289,363	7,664
Career and Technical Education Program	1,746	3,000	1,746	0
Transportation	100,000	100,000	100,000	0
<u>Operation of Non-Instructional Services</u>				
Community Services	269,313	298,000	300,000	30,687
Total Expenditures	\$ 2,811,446	\$ 2,969,287	\$ 3,200,968	\$ 389,522
Excess (Deficiency) of Revenues Over Expenditures	\$ 534	\$ 0	\$ 1	\$ 533
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 98,238	\$ 0	\$ 0
Transfers Out	0	(98,238)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 534	\$ 0	\$ 1	\$ 533
Fund Balance, July 1, 2016	3,501	1,483	1,483	2,018
Fund Balance, June 30, 2017	\$ 4,035	\$ 1,483	\$ 1,484	\$ 2,551

Exhibit J-10

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 186,263	\$ 247,000	\$ 247,000	\$ (60,737)
Other Local Revenues	17,497	16,400	16,400	1,097
Federal Government	2,205,842	2,161,267	2,161,267	44,575
Total Revenues	<u>\$ 2,409,602</u>	<u>\$ 2,424,667</u>	<u>\$ 2,424,667</u>	<u>\$ (15,065)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,250,069	\$ 2,475,018	\$ 2,475,018	\$ 224,949
Total Expenditures	<u>\$ 2,250,069</u>	<u>\$ 2,475,018</u>	<u>\$ 2,475,018</u>	<u>\$ 224,949</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 159,533</u>	<u>\$ (50,351)</u>	<u>\$ (50,351)</u>	<u>\$ 209,884</u>
Net Change in Fund Balance	\$ 159,533	\$ (50,351)	\$ (50,351)	\$ 209,884
Fund Balance, July 1, 2016	<u>343,616</u>	<u>380,927</u>	<u>380,927</u>	<u>(37,311)</u>
Fund Balance, June 30, 2017	<u>\$ 503,149</u>	<u>\$ 330,576</u>	<u>\$ 330,576</u>	<u>\$ 172,573</u>

Exhibit J-11

Hardin County, Tennessee
Statement of Net Position
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2017

Governmental
 Activities -
 Internal
 Service Fund

 Employee
 Insurance
 Fund

ASSETS

Current Assets:

Cash	\$ 100,639
Total Assets	<u>\$ 100,639</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 11,345
Total Liabilities	<u>\$ 11,345</u>

NET POSITION

Unrestricted	<u>\$ 89,294</u>
Total Net Position	<u><u>\$ 89,294</u></u>

Exhibit J-12

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
	Employee Insurance Fund
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 215,781
Total Operating Revenues	<u>\$ 215,781</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 19,324
Medical Claims	195,903
Total Operating Expenses	<u>\$ 215,227</u>
Operating Income (Loss)	<u>\$ 554</u>
Change in Net Position	\$ 554
Net Position, July 1, 2016	<u>88,740</u>
Net Position, June 30, 2017	<u><u>\$ 89,294</u></u>

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund Employee Insurance Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 215,781
Payments to Fiscal Agents	(19,324)
Payments for Claims	(194,675)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,782</u>
Increase (Decrease) in Cash	\$ 1,782
Cash, July 1, 2016	<u>98,857</u>
Cash, June 30, 2017	<u><u>\$ 100,639</u></u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 554
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>1,228</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 1,782</u></u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 100,639</u>
Cash, June 30, 2017	<u><u>\$ 100,639</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, Other Loan, and Bonds
For the Year Ended June 30, 2017

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-16	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-17
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Energy Efficiency Loan - Courthouse Renovations	\$ 27,650	0	% 6-11-09	7-31-16	\$ 3,950	\$ 0	\$ 3,950	\$ 0
Capital Outlay Notes, Series 2015	750,000	2.25	10-20-15	10-20-20	750,000	0	150,000	600,000
Total Notes Payable					<u>\$ 753,950</u>	<u>\$ 0</u>	<u>\$ 153,950</u>	<u>\$ 600,000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Fire Trucks	495,000	5.38	7-31-07	7-31-17	\$ 67,323	\$ 0	\$ 62,004	\$ 5,319
Fire Truck	224,189	5.1	6-28-10	2-15-20	102,197	0	23,678	78,519
Commercial Pumper	241,750	3.79	3-31-14	5-1-23	172,456	0	21,975	150,481
Patrol Cars	135,488	3.08	12-1-14	12-1-16	45,149	0	45,149	0
Commercial Pumper	418,200	2.98	4-18-17	7-31-26	0	418,200	0	418,200
Total Payable through General Fund					<u>\$ 387,125</u>	<u>\$ 418,200</u>	<u>\$ 152,806</u>	<u>\$ 652,519</u>
<u>Payable through General Debt Service Fund</u>								
Refuse Collection Truck	224,518	1.64	9-15-14	1-30-17	\$ 75,300	\$ 0	\$ 75,300	\$ 0
Refuse Collection Truck	223,915	2.845	7-29-16	9-29-19	0	223,915	57,601	166,314
Total Payable through General Debt Service Fund					<u>\$ 75,300</u>	<u>\$ 223,915</u>	<u>\$ 132,901</u>	<u>\$ 166,314</u>
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Management Project	1,782,319	3.05	6-20-12	11-20-26	\$ 1,422,830	\$ 0	\$ 116,805	\$ 1,306,025
Total Capital Leases Payable					<u>\$ 1,885,255</u>	<u>\$ 642,115</u>	<u>\$ 402,512</u>	<u>\$ 2,124,858</u>
<u>OTHER LOAN PAYABLE</u>								
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Efficient Schools Initiative	1,330,336	1	7-14-16	7-1-29	\$ 0	\$ 1,330,336	\$ 0	\$ 1,330,336
Total Other Loan Payable					<u>\$ 0</u>	<u>\$ 1,330,336</u>	<u>\$ 0</u>	<u>\$ 1,330,336</u>

(Continued)

Exhibit K-1

Hardin County, Tennessee

Schedule of Changes in Long-term Notes, Capital Leases, Other Loan, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-16	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-17
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Refunding Bonds, Series 2016A	\$ 8,500,000	2 to 2.75	% 5-20-16	6-1-37	\$ 8,500,000	\$ 0	\$ 320,000	\$ 8,180,000
General Obligation Refunding Bonds, Series 2016B	2,000,000	2	5-20-16	6-1-27	2,000,000	0	165,000	1,835,000
Total Payable through General Debt Service Fund					<u>\$ 10,500,000</u>	<u>\$ 0</u>	<u>\$ 485,000</u>	<u>\$ 10,015,000</u>
<u>Payable through Rural Debt Service Fund</u>								
G.O. BAB School Bonds, Series 2009	10,000,000	3.89	9-15-09	6-1-44	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
G.O. BAB School Bonds, Series 2009B	20,000,000	3.78	10-20-09	6-1-44	17,705,000	0	525,000	17,180,000
G.O. BAB School Bonds, Series 2010	6,000,000	2.84	3-25-10	6-1-26	3,995,000	0	375,000	3,620,000
Total Payable through Rural Debt Service Fund					<u>\$ 31,700,000</u>	<u>\$ 0</u>	<u>\$ 900,000</u>	<u>\$ 30,800,000</u>
Total Bonds Payable					<u>\$ 42,200,000</u>	<u>\$ 0</u>	<u>\$ 1,385,000</u>	<u>\$ 40,815,000</u>

Exhibit K-2

Hardin County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Note		
	Principal	Interest	Total
2018	\$ 150,000	\$ 11,981	\$ 161,981
2019	150,000	8,559	158,559
2020	150,000	5,147	155,147
2021	150,000	1,716	151,716
Total	\$ 600,000	\$ 27,403	\$ 627,403

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2018	\$ 272,160	\$ 56,109	\$ 328,269
2019	266,087	56,840	322,927
2020	274,851	48,074	322,925
2021	196,367	39,011	235,378
2022	202,581	32,797	235,378
2023	208,990	26,387	235,377
2024	187,096	19,773	206,869
2025	192,840	14,028	206,868
2026	198,761	8,107	206,868
2027	125,125	2,307	127,432
Total	\$ 2,124,858	\$ 303,433	\$ 2,428,291

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2018	\$ 96,093	\$ 11,795	\$ 107,888
2019	105,840	11,856	117,696
2020	106,896	10,800	117,696
2021	107,976	9,720	117,696
2022	109,056	8,640	117,696
2023	110,160	7,536	117,696
2024	111,264	6,432	117,696
2025	112,380	5,316	117,696
2026	113,508	4,188	117,696
2027	114,648	3,048	117,696
2028	115,800	1,896	117,696
2029	116,964	732	117,696
2030	9,751	14	9,765
Total	\$ 1,330,336	\$ 81,973	\$ 1,412,309

(Continued)

Exhibit K-2

Hardin County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 1,435,000	\$ 1,955,039	\$ 3,390,039
2019	1,470,000	1,905,676	3,375,676
2020	1,510,000	1,853,334	3,363,334
2021	1,555,000	1,797,907	3,352,907
2022	1,600,000	1,738,964	3,338,964
2023	1,650,000	1,678,103	3,328,103
2024	1,695,000	1,614,463	3,309,463
2025	1,745,000	1,547,493	3,292,493
2026	1,790,000	1,475,962	3,265,962
2027	1,410,000	1,400,341	2,810,341
2028	1,260,000	1,344,032	2,604,032
2029	1,290,000	1,289,333	2,579,333
2030	1,340,000	1,230,860	2,570,860
2031	1,385,000	1,168,788	2,553,788
2032	1,445,000	1,104,100	2,549,100
2033	1,495,000	1,032,975	2,527,975
2034	1,555,000	959,200	2,514,200
2035	1,605,000	882,175	2,487,175
2036	1,665,000	799,912	2,464,912
2037	1,725,000	714,313	2,439,313
2038	1,275,000	625,375	1,900,375
2039	1,335,000	547,126	1,882,126
2040	1,390,000	465,187	1,855,187
2041	1,450,000	379,875	1,829,875
2042	1,515,000	290,875	1,805,875
2043	1,575,000	197,875	1,772,875
2044	1,650,000	101,250	1,751,250
Total	\$ 40,815,000	\$ 30,100,533	\$ 70,915,533

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2017

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 515,806
General	Drug Control	Operations	16,000
Highway/Public Works	General Debt Service	Debt retirement	<u>206,222</u>
Total Transfers			<u><u>\$ 738,028</u></u>

Exhibit K-4

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i> , and Chapter 113, Private Acts of 1929, as amended	\$ 81,250 (1)	\$ 100,000	RLI Insurance Company
Highway Commissioner	Section 8-24-102, <i>TCA</i>	76,143	100,000	"
Director of Schools	State Board of Education and Hardin County Board of Education	92,276 (2)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	69,220	1,170,597	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	69,220	50,000	RLI Insurance Company
County Clerk	Section 8-24-102, <i>TCA</i>	69,220	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	69,220	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	69,220	105,000	Western Surety Company
Register of Deeds	Section 8-24-102, <i>TCA</i>	69,220	100,000	RLI Insurance Company
Sheriff	Section 8-24-102, <i>TCA</i>	76,144 (3)	100,000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			100,000	RLI Insurance Company
All Other Employees			150,000	Local Government Property and Casualty Fund
Office of Highway Commissioner			150,000	"
Office of Director of Schools			400,000	Tennessee Risk Management Trust

(1) Does not include a vehicle allowance of \$6,000. Includes serving as a secretary to the Highway Commission of \$1,300.

(2) Includes a chief executive officer training supplement of \$900 and a bonus payment of \$773.

(3) Does not include a law enforcement training supplement of \$600.

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2017

	Special Revenue Funds				Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,210,702	\$ 192,745	\$ 0	\$ 636,074	\$ 212,014
Trustee's Collections - Prior Year	209,839	7,817	0	25,942	8,660
Circuit Clerk/Clerk and Master Collections - Prior Years	74,896	0	0	10,006	3,335
Interest and Penalty	73,303	1,273	0	9,644	3,137
Payments in-Lieu-of Taxes - T.V.A.	1,592	59	0	194	65
Payments in-Lieu-of Taxes - Local Utilities	1,350	50	0	165	55
Payments in-Lieu-of Taxes - Other	32,270	1,194	0	3,939	1,313
<u>County Local Option Taxes</u>					
Local Option Sales Tax	99,774	573,403	0	0	0
Hotel/Motel Tax	246,764	0	0	0	0
Wheel Tax	1,000,546	0	0	116,633	0
Litigation Tax - General	125,355	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	32,357	0	0	0	0
Business Tax	336,147	0	0	0	0
Mixed Drink Tax	18,332	0	0	0	0
Mineral Severance Tax	0	0	0	59,544	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	2,822	104	0	344	115
Wholesale Beer Tax	0	262,109	0	0	0
Interstate Telecommunications Tax	0	927	0	0	0
Total Local Taxes	\$ 7,466,049	\$ 1,039,681	\$ 0	\$ 862,485	\$ 228,694
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 945	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	107,861	0	0	0	0

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt Service
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Funds General Debt Service
<hr/>					
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Beer Permits	\$ 6,215	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	<u>\$ 115,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<hr/>					
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 2,447	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	7,264	0	0	0	0
Game and Fish Fines	112	0	0	0	0
Drug Control Fines	3,685	0	4,459	0	0
Drug Court Fees	1,429	0	0	0	0
DUI Treatment Fines	855	0	0	0	0
Data Entry Fee - Circuit Court	1,293	0	0	0	0
<u>General Sessions Court</u>					
Fines	45,300	0	0	0	0
Fines for Littering	95	0	0	0	0
Officers Costs	56,322	0	0	0	0
Game and Fish Fines	2,788	0	0	0	0
Drug Control Fines	15,325	0	2,785	0	0
Drug Court Fees	5,749	0	0	0	0
Jail Fees	3,527	0	0	0	0
DUI Treatment Fines	11,484	0	0	0	0
Data Entry Fee - General Sessions Court	12,519	0	0	0	0
Courtroom Security Fee	1,496	0	0	0	0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	3,562	0	0	0	0

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	\$ 5,150	\$ 0	\$ 24,861	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 180,402	\$ 0	\$ 32,105	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 431,098	\$ 0	\$ 0	\$ 0
Surcharge - Waste Tire Disposal	0	34,953	0	0	0
Other General Service Charges	17,080	1,580	0	0	0
<u>Fees</u>					
Library Fees	7,412	0	0	0	0
Greenbelt Late Application Fee	300	0	0	0	0
Telephone Commissions	133,260	0	0	0	0
Data Processing Fee - Register	10,512	0	0	0	0
Data Processing Fee - Sheriff	3,539	0	0	0	0
Sexual Offender Registration Fee - Sheriff	3,255	0	0	0	0
Data Processing Fee - County Clerk	1,699	0	0	0	0
Total Charges for Current Services	\$ 177,057	\$ 467,631	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 45,469	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	84,121	0	0	0	39,600
E-Rate Funding	2,938	0	0	0	0
Miscellaneous Refunds	30,532	8	0	29,395	0

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service
<u>Other Local Revenues (Cont.)</u>					
<u>Nonrecurring Items</u>					
Sale of Equipment	\$ 44,093	\$ 0	\$ 0	\$ 42,256	\$ 0
Contributions and Gifts	5,000	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	101,933
Total Other Local Revenues	<u>\$ 212,153</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 71,651</u>	<u>\$ 141,533</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 345,923	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	75,925	0	0	0	0
General Sessions Court Clerk	240,320	0	0	0	0
Clerk and Master	86,989	0	0	0	0
Register	131,903	0	0	0	0
Sheriff	11,844	0	0	0	0
Trustee	484,227	0	0	0	0
Total Fees Received From County Officials	<u>\$ 1,377,131</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,400	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	31,392	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	13,200	0	4,600	0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	10,000	0	0	0	0

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 626,978	\$ 0
State Aid Program	0	0	0	730,178	0
Litter Program	39,699	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	91,641	0	0	0	0
Resort District Sales Tax	914,733	0	0	0	0
Beer Tax	18,415	0	0	0	0
Vehicle Certificate of Title Fees	4,444	0	0	0	0
Alcoholic Beverage Tax	71,812	0	0	0	0
State Revenue Sharing - T.V.A.	464,000	0	0	59,000	4,274
Contracted Prisoner Boarding	432,197	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,970,385	0
Petroleum Special Tax	0	0	0	18,779	0
Registrar's Salary Supplement	15,164	0	0	0	0
Other State Grants	33,738	0	0	0	0
Other State Revenues	113,470	0	0	0	0
Total State of Tennessee	\$ 2,263,305	\$ 0	\$ 4,600	\$ 3,405,320	\$ 4,274
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 355,270	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	106,129	0	0	0	0
Other Federal through State	34,052	0	0	534,945	0
<u>Direct Federal Revenue</u>					
Tax Credit Bond Rebate	0	0	0	0	0
Total Federal Government	\$ 495,451	\$ 0	\$ 0	\$ 534,945	\$ 0

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

		Special Revenue Funds			Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service
<hr/>					
Other Governments and Citizens Groups					
<u>Other Governments</u>					
Contributions	\$ 132,028	\$ 0	\$ 0	\$ 0	\$ 508,626
Contracted Services	67,088	5,497	0	0	0
<u>Citizens Groups</u>					
Donations	24,000	0	0	35,000	0
<u>Other</u>					
Other	2,668	0	0	0	0
Total Other Governments and Citizens Groups	<hr/> \$ 225,784	<hr/> \$ 5,497	<hr/> \$ 0	<hr/> \$ 35,000	<hr/> \$ 508,626
<hr/>					
Total	<hr/> \$ 12,512,353	<hr/> \$ 1,512,817	<hr/> \$ 36,705	<hr/> \$ 4,909,401	<hr/> \$ 883,127

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund	
	Rural Debt Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 6,251,535
Trustee's Collections - Prior Year	0	252,258
Circuit Clerk/Clerk and Master Collections - Prior Years	0	88,237
Interest and Penalty	0	87,357
Payments in-Lieu-of Taxes - T.V.A.	0	1,910
Payments in-Lieu-of Taxes - Local Utilities	0	1,620
Payments in-Lieu-of Taxes - Other	0	38,716
<u>County Local Option Taxes</u>		
Local Option Sales Tax	382,268	1,055,445
Hotel/Motel Tax	0	246,764
Wheel Tax	0	1,117,179
Litigation Tax - General	0	125,355
Litigation Tax - Jail, Workhouse, or Courthouse	0	32,357
Business Tax	0	336,147
Mixed Drink Tax	0	18,332
Mineral Severance Tax	0	59,544
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	3,385
Wholesale Beer Tax	0	262,109
Interstate Telecommunications Tax	0	927
Total Local Taxes	\$ 382,268	\$ 9,979,177
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Marriage Licenses	\$ 0	\$ 945
Cable TV Franchise	0	107,861

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund	
	Rural Debt Service	Total
<hr/>		
<u>Licenses and Permits (Cont.)</u>		
<u>Permits</u>		
Beer Permits	\$ 0	\$ 6,215
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 115,021</u>
 <u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 2,447
Officers Costs	0	7,264
Game and Fish Fines	0	112
Drug Control Fines	0	8,144
Drug Court Fees	0	1,429
DUI Treatment Fines	0	855
Data Entry Fee - Circuit Court	0	1,293
<u>General Sessions Court</u>		
Fines	0	45,300
Fines for Littering	0	95
Officers Costs	0	56,322
Game and Fish Fines	0	2,788
Drug Control Fines	0	18,110
Drug Court Fees	0	5,749
Jail Fees	0	3,527
DUI Treatment Fines	0	11,484
Data Entry Fee - General Sessions Court	0	12,519
Courtroom Security Fee	0	1,496
<u>Chancery Court</u>		
Data Entry Fee - Chancery Court	0	3,562

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund	
	Rural Debt Service	Total
<hr/>		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	\$ 0	\$ 30,011
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 212,507</u>
 <u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 431,098
Surcharge - Waste Tire Disposal	0	34,953
Other General Service Charges	0	18,660
<u>Fees</u>		
Library Fees	0	7,412
Greenbelt Late Application Fee	0	300
Telephone Commissions	0	133,260
Data Processing Fee - Register	0	10,512
Data Processing Fee - Sheriff	0	3,539
Sexual Offender Registration Fee - Sheriff	0	3,255
Data Processing Fee - County Clerk	0	1,699
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 644,688</u>
 <u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 5,839	\$ 51,308
Lease/Rentals	0	123,721
E-Rate Funding	0	2,938
Miscellaneous Refunds	0	59,935

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund	
	Rural Debt Service	Total
<hr/>		
<u>Other Local Revenues (Cont.)</u>		
<u>Nonrecurring Items</u>		
Sale of Equipment	\$ 0	\$ 86,349
Contributions and Gifts	0	5,000
<u>Other Local Revenues</u>		
Other Local Revenues	0	101,933
Total Other Local Revenues	<u>\$ 5,839</u>	<u>\$ 431,184</u>
<u>Fees Received From County Officials</u>		
<u>Fees In-Lieu-of Salary</u>		
County Clerk	\$ 0	\$ 345,923
Circuit Court Clerk	0	75,925
General Sessions Court Clerk	0	240,320
Clerk and Master	0	86,989
Register	0	131,903
Sheriff	0	11,844
Trustee	0	484,227
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 1,377,131</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 9,400
Aging Programs	0	31,392
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	17,800
<u>Health and Welfare Grants</u>		
Other Health and Welfare Grants	0	10,000

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund		
	Rural Debt Service		Total
<hr/>			
<u>State of Tennessee (Cont.)</u>			
<u>Public Works Grants</u>			
Bridge Program	\$ 0	\$	626,978
State Aid Program	0		730,178
Litter Program	0		39,699
<u>Other State Revenues</u>			
Income Tax	0		91,641
Resort District Sales Tax	0		914,733
Beer Tax	0		18,415
Vehicle Certificate of Title Fees	0		4,444
Alcoholic Beverage Tax	0		71,812
State Revenue Sharing - T.V.A.	0		527,274
Contracted Prisoner Boarding	0		432,197
Gasoline and Motor Fuel Tax	0		1,970,385
Petroleum Special Tax	0		18,779
Registrar's Salary Supplement	0		15,164
Other State Grants	0		33,738
Other State Revenues	0		113,470
Total State of Tennessee	<u>\$ 0</u>	<u>\$</u>	<u>5,677,499</u>
 <u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 0	\$	355,270
Homeland Security Grants	0		106,129
Other Federal through State	0		568,997
<u>Direct Federal Revenue</u>			
Tax Credit Bond Rebate	579,999		579,999
Total Federal Government	<u>\$ 579,999</u>	<u>\$</u>	<u>1,610,395</u>

(Continued)

Exhibit K-5

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Debt Service Fund		
	Rural Debt Service		Total
<hr/>			
Other Governments and Citizens Groups			
Other Governments			
Contributions	\$	1,972,192	\$ 2,612,846
Contracted Services		0	72,585
Citizens Groups			
Donations		0	59,000
Other			
Other		0	2,668
Total Other Governments and Citizens Groups	\$	1,972,192	\$ 2,747,099
<hr/>			
Total	\$	2,940,298	\$ 22,794,701
<hr/>			

Exhibit K-6

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

	General	Special Revenue Funds		Capital	
	Purpose	School	Central	Projects Fund	
	School	Federal	Cafeteria	Education	Total
		Projects		Capital	
				Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 7,112,506	\$ 0	\$ 0	\$ 0	\$ 7,112,506
Trustee's Collections - Prior Year	290,170	0	0	0	290,170
Circuit Clerk/Clerk and Master Collections - Prior Years	95,717	0	0	0	95,717
Interest and Penalty	98,669	0	0	0	98,669
Payments in-Lieu-of Taxes - T.V.A.	2,173	0	0	0	2,173
Payments in-Lieu-of Taxes - Local Utilities	1,843	0	0	0	1,843
Payments in-Lieu-of Taxes - Other	44,047	0	0	0	44,047
<u>County Local Option Taxes</u>					
Local Option Sales Tax	4,697,335	0	0	0	4,697,335
Mixed Drink Tax	18,332	0	0	0	18,332
<u>Statutory Local Taxes</u>					
Bank Excise Tax	3,852	0	0	0	3,852
Interstate Telecommunications Tax	2,900	0	0	0	2,900
Total Local Taxes	\$ 12,367,544	\$ 0	\$ 0	\$ 0	\$ 12,367,544
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 836	\$ 0	\$ 0	\$ 0	\$ 836
Total Licenses and Permits	\$ 836	\$ 0	\$ 0	\$ 0	\$ 836
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Adults	\$ 0	\$ 0	\$ 83,318	\$ 0	\$ 83,318
A la Carte Sales	0	0	102,945	0	102,945

(Continued)

Exhibit K-6

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

	General Purpose School	Special Revenue Funds		Capital Projects Fund Education Capital Projects	Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Receipts from Individual Schools	\$ 19,390	\$ 0	\$ 0	\$ 0	\$ 19,390
Other Charges for Services	24,984	0	0	0	24,984
Total Charges for Current Services	<u>\$ 44,374</u>	<u>\$ 0</u>	<u>\$ 186,263</u>	<u>\$ 0</u>	<u>\$ 230,637</u>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 1,764	\$ 0	\$ 1,764
Lease/Rentals	8,598	0	0	0	8,598
Miscellaneous Refunds	101,573	0	15,733	0	117,306
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	1,472	0	0	0	1,472
Contributions and Gifts	4,985	0	0	0	4,985
<u>Other Local Revenues</u>					
Other Local Revenues	56,467	0	0	0	56,467
Total Other Local Revenues	<u>\$ 173,095</u>	<u>\$ 0</u>	<u>\$ 17,497</u>	<u>\$ 0</u>	<u>\$ 190,592</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 190,675	\$ 0	\$ 0	\$ 0	\$ 190,675
<u>State Education Funds</u>					
Basic Education Program	15,119,000	0	0	0	15,119,000
Early Childhood Education	560,532	0	0	0	560,532
School Food Service	21,679	0	0	0	21,679
Driver Education	23,293	0	0	0	23,293

(Continued)

Exhibit K-6

Hardin County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

	General Purpose School	Special Revenue Funds		Capital Projects Fund Education Capital Projects	Total
		School Federal Projects	Central Cafeteria		
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Other State Education Funds	\$ 401,098	\$ 0	\$ 0	\$ 0	\$ 401,098
Career Ladder Program	129,124	0	0	0	129,124
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	550,000	0	0	0	550,000
Total State of Tennessee	\$ 16,995,401	\$ 0	\$ 0	\$ 0	\$ 16,995,401
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,399,240	\$ 0	\$ 1,399,240
USDA - Commodities	0	0	230,665	0	230,665
Breakfast	0	0	478,090	0	478,090
USDA - Other	0	0	97,847	0	97,847
Vocational Education - Basic Grants to States	0	116,039	0	0	116,039
Title I Grants to Local Education Agencies	0	1,296,681	0	0	1,296,681
Special Education - Grants to States	57,121	867,257	0	0	924,378
Safe and Drug-free Schools - State Grants	0	269,313	0	0	269,313
Rural Education	0	36,300	0	0	36,300
Eisenhower Professional Development State Grants	0	226,390	0	0	226,390
Other Federal through State	20,549	0	0	0	20,549
Total Federal Government	\$ 77,670	\$ 2,811,980	\$ 2,205,842	\$ 0	\$ 5,095,492
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 1,330,336	\$ 1,330,336
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 1,330,336	\$ 1,330,336
Total	\$ 29,658,920	\$ 2,811,980	\$ 2,409,602	\$ 1,330,336	\$ 36,210,838

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2017

General FundGeneral GovernmentCounty Commission

Clerical Personnel	\$	8,075	
Board and Committee Members Fees		37,250	
Audit Services		9,369	
Dues and Memberships		1,700	
Operating Lease Payments		4,782	
Legal Services		400	
Travel		8,990	
Other Charges		2,716	
Total County Commission			\$ 73,282

Board of Equalization

Board and Committee Members Fees	\$	840	
Total Board of Equalization			840

Beer Board

Board and Committee Members Fees	\$	2,500	
Office Supplies		344	
Total Beer Board			2,844

Other Boards and Committees

Board and Committee Members Fees	\$	200	
Total Other Boards and Committees			200

County Mayor/Executive

County Official/Administrative Officer	\$	79,950	
Secretary(ies)		28,191	
Clerical Personnel		14,162	
Educational Incentive - Other County Employees		12,000	
Other Fringe Benefits		6,000	
Communication		4,895	
Postal Charges		5,149	
Travel		4,546	
Office Supplies		5,766	
Office Equipment		2,775	
Total County Mayor/Executive			163,434

County Attorney

Legal Services	\$	1,221	
Total County Attorney			1,221

Election Commission

County Official/Administrative Officer	\$	62,298	
Deputy(ies)		18,680	
Part-time Personnel		9,786	
Board and Committee Members Fees		3,245	
Election Workers		27,427	
In-service Training		2,406	

(Continued)

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	2,669	
Data Processing Services		29,995	
Legal Notices, Recording, and Court Costs		4,654	
Postal Charges		3,105	
Printing, Stationery, and Forms		16,791	
Travel		3,003	
Office Supplies		5,606	
Liability Insurance		2,386	
Total Election Commission			\$ 192,051

Register of Deeds

County Official/Administrative Officer	\$	69,220	
Deputy(ies)		51,973	
Communication		2,788	
Contracts with Private Agencies		1,174	
Data Processing Services		11,553	
Postal Charges		300	
Travel		1,150	
Other Contracted Services		7,560	
Office Supplies		7,347	
Office Equipment		3,600	
Total Register of Deeds			156,665

County Buildings

Custodial Personnel	\$	101,812	
Communication		491	
Engineering Services		97	
Maintenance and Repair Services - Buildings		38,616	
Maintenance and Repair Services - Equipment		2,525	
Maintenance and Repair Services - Vehicles		800	
Pest Control		2,412	
Other Contracted Services		3,420	
Custodial Supplies		8,922	
Food Supplies		1,501	
Gasoline		635	
Small Tools		316	
Utilities		81,443	
Other Supplies and Materials		1,590	
Building and Contents Insurance		1,996	
Liability Insurance		334,402	
Premiums on Corporate Surety Bonds		3,810	
Other Charges		25,056	
Building Improvements		46,374	
Maintenance Equipment		1,448	
Other Capital Outlay		269,303	
Total County Buildings			926,969

(Continued)

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	56,722	
Clerical Personnel		49,551	
Part-time Personnel		1,847	
In-service Training		650	
Communication		2,268	
Data Processing Services		13,377	
Printing, Stationery, and Forms		1,000	
Travel		708	
Office Supplies		4,035	
Office Equipment		482	
Total Accounting and Budgeting			\$ 130,640

Property Assessor's Office

County Official/Administrative Officer	\$	69,220	
Secretary(ies)		26,789	
Clerical Personnel		42,385	
Other Salaries and Wages		13,000	
Communication		2,141	
Contracts with Government Agencies		1,901	
Data Processing Services		7,077	
Postal Charges		882	
Travel		2,411	
Office Supplies		6,200	
Total Property Assessor's Office			172,006

Reappraisal Program

Other Salaries and Wages	\$	14,999	
Contracts with Private Agencies		9,750	
Data Processing Services		5,084	
Postal Charges		943	
Travel		6,000	
Office Supplies		1,980	
Total Reappraisal Program			38,756

County Trustee's Office

County Official/Administrative Officer	\$	69,220	
Deputy(ies)		18,870	
Part-time Personnel		15,749	
Other Salaries and Wages		20,465	
Communication		3,541	
Data Processing Services		25,067	
Dues and Memberships		993	
Postal Charges		6,880	
Travel		416	
Office Supplies		983	
Total County Trustee's Office			162,184

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Finance (Cont.)County Clerk's Office

County Official/Administrative Officer	\$	69,220	
Deputy(ies)		48,648	
Clerical Personnel		85,967	
Part-time Personnel		11,432	
Educational Incentive - Other County Employees		2,250	
Communication		4,702	
Data Processing Services		18,642	
Postal Charges		6,053	
Travel		591	
Office Supplies		7,757	
Refunds		250	
Total County Clerk's Office			\$ 255,512

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	69,220	
Deputy(ies)		174,410	
Part-time Personnel		12,964	
Jury and Witness Expense		5,265	
Communication		4,934	
Data Processing Services		12,792	
Postal Charges		2,258	
Travel		574	
Office Supplies		14,924	
Other Supplies and Materials		2,724	
Other Charges		1,847	
Other Equipment		4,393	
Total Circuit Court			306,305

General Sessions Court

Judge(s)	\$	115,469	
Secretary(ies)		26,768	
Communication		2,283	
Postal Charges		65	
Travel		2,484	
Other Contracted Services		660	
Office Supplies		1,600	
Total General Sessions Court			149,329

Drug Court

Remittance of Revenue Collected	\$	8,231	
Total Drug Court			8,231

Chancery Court

County Official/Administrative Officer	\$	69,220	
Deputy(ies)		24,428	
Educational Incentive - Other County Employees		1,500	

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Administration of Justice (Cont.)Chancery Court (Cont.)

Other Salaries and Wages	\$	13,648	
Communication		1,323	
Data Processing Services		5,015	
Postal Charges		400	
Travel		1,755	
Office Supplies		5,968	
Total Chancery Court			\$ 123,257

Public SafetySheriff's Department

County Official/Administrative Officer	\$	76,144	
Assistant(s)		28,754	
Deputy(ies)		766,944	
Salary Supplements		13,200	
Secretary(ies)		27,515	
Part-time Personnel		38,560	
Other Salaries and Wages		31,626	
In-service Training		4,375	
Communication		13,905	
Data Processing Services		20,871	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		1,900	
Maintenance and Repair Services - Vehicles		78,000	
Travel		5,930	
Other Contracted Services		70,979	
Gasoline		79,546	
Instructional Supplies and Materials		7,489	
Law Enforcement Supplies		4,513	
Office Supplies		9,000	
Uniforms		12,774	
Utilities		3,239	
Other Supplies and Materials		29,468	
Communication Equipment		6,365	
Law Enforcement Equipment		2,611	
Motor Vehicles		93,308	
Total Sheriff's Department			1,429,016

Traffic Control

Deputy(ies)	\$	16,244	
Other Fringe Benefits		3,736	
Travel		629	
Total Traffic Control			20,609

Administration of the Sexual Offender Registry

Office Supplies	\$	1,504	
Total Administration of the Sexual Offender Registry			1,504

(Continued)

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Jail

Medical Personnel	\$	56,693	
Guards		671,899	
Attendants		1,000	
Part-time Personnel		83,745	
Other Salaries and Wages		26,740	
In-service Training		4,875	
Communication		13,946	
Contracts with Private Agencies		10,657	
Maintenance and Repair Services - Buildings		73,092	
Medical and Dental Services		156,981	
Other Contracted Services		22,622	
Custodial Supplies		24,937	
Food Preparation Supplies		5,109	
Food Supplies		192,916	
Office Supplies		6,330	
Prisoners Clothing		241	
Uniforms		5,807	
Utilities		149,999	
Other Supplies and Materials		18,407	
Other Charges		58,568	
Total Jail			\$ 1,584,564

Juvenile Services

Youth Service Officer(s)	\$	46,578	
Educational Assistants		31,025	
Other Salaries and Wages		25,463	
In-service Training		699	
Communication		3,021	
Contracts with Government Agencies		10,832	
Data Processing Services		3,550	
Transportation - Other than Students		2,000	
Travel		500	
Office Supplies		3,091	
Office Equipment		958	
Total Juvenile Services			127,717

Fire Prevention and Control

Supervisor/Director	\$	45,229	
Mechanic(s)		130,671	
Part-time Personnel		32,868	
Other Salaries and Wages		4,682	
In-service Training		15,454	
Advertising		785	
Communication		8,555	
Maintenance and Repair Services - Buildings		14,939	
Maintenance and Repair Services - Equipment		8,034	
Maintenance and Repair Services - Vehicles		85,797	

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Fire Prevention and Control (Cont.)

Travel	\$	1,988	
Remittance of Revenue Collected		18,844	
Other Contracted Services		3,133	
Drugs and Medical Supplies		995	
Gasoline		28,326	
Instructional Supplies and Materials		2,700	
Office Supplies		2,200	
Uniforms		5,554	
Utilities		39,840	
Other Supplies and Materials		1,479	
Other Charges		58,943	
Building Improvements		714	
Motor Vehicles		518,200	
Site Development		3,600	
Other Equipment		46,043	
Other Capital Outlay		7,643	
Total Fire Prevention and Control			\$ 1,087,216

Civil Defense

Assistant(s)	\$	32,893	
Supervisor/Director		7,120	
Clerical Personnel		20,642	
Part-time Personnel		10,536	
Communication		668	
Maintenance and Repair Services - Equipment		1,272	
Maintenance and Repair Services - Vehicles		990	
Travel		554	
Equipment and Machinery Parts		2,434	
Gasoline		2,000	
Office Supplies		2,517	
Other Supplies and Materials		10,965	
Motor Vehicles		37,660	
Office Equipment		316	
Other Equipment		12,000	
Other Capital Outlay		25,846	
Total Civil Defense			168,413

Other Public Safety

Supervisor/Director	\$	3,602	
Communication		480	
Contracts with Government Agencies		285,499	
Office Supplies		252	
Total Other Public Safety			289,833

Public Health and WelfareLocal Health Center

Medical Personnel	\$	61,737	
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(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Health and Welfare (Cont.)Local Health Center (Cont.)

Communication	\$	1,572	
Contracts with Government Agencies		33,240	
Janitorial Services		5,700	
Maintenance and Repair Services - Buildings		4,091	
Postal Charges		118	
Travel		3,553	
Drugs and Medical Supplies		841	
Office Supplies		969	
Utilities		11,251	
Total Local Health Center			\$ 123,072

Rabies and Animal Control

Assistant(s)	\$	24,409	
Supervisor/Director		36,000	
Part-time Personnel		91,725	
Advertising		30	
Communication		5,041	
Maintenance and Repair Services - Buildings		784	
Maintenance and Repair Services - Equipment		68	
Maintenance and Repair Services - Vehicles		1,357	
Other Contracted Services		68,410	
Animal Food and Supplies		14,196	
Custodial Supplies		8,000	
Drugs and Medical Supplies		15,200	
Gasoline		5,619	
Office Supplies		2,996	
Uniforms		97	
Utilities		16,118	
Other Supplies and Materials		9,409	
Other Equipment		1,685	
Total Rabies and Animal Control			301,144

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	240,000	
Remittance of Revenue Collected		7,250	
Utilities		2,732	
Total Ambulance/Emergency Medical Services			249,982

Alcohol and Drug Programs

Contributions	\$	9,966	
Total Alcohol and Drug Programs			9,966

Crippled Children Services

Contributions	\$	2,005	
Total Crippled Children Services			2,005

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Health and Welfare (Cont.)Other Local Health Services

Other Charges	\$ 7,583	
Total Other Local Health Services		\$ 7,583

General Welfare Assistance

Contracts with Other Public Agencies	\$ 21,652	
Contributions	4,100	
Total General Welfare Assistance		25,752

Other Local Welfare Services

Supervisor/Director	\$ 9,139	
Social Security	566	
Unemployment Compensation	162	
Employer Medicare	133	
Total Other Local Welfare Services		10,000

Sanitation Education/Information

Foremen	\$ 35,950	
Other Salaries and Wages	29,292	
Maintenance and Repair Services - Equipment	1,929	
Gasoline	3,000	
Instructional Supplies and Materials	8,000	
Other Supplies and Materials	14,654	
Total Sanitation Education/Information		92,825

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Assistant(s)	\$ 7,410	
Supervisor/Director	22,950	
Part-time Personnel	13,346	
Other Salaries and Wages	2,107	
Communication	2,818	
Maintenance and Repair Services - Buildings	3,395	
Maintenance and Repair Services - Vehicles	653	
Postal Charges	100	
Travel	240	
Other Contracted Services	2,000	
Gasoline	762	
Office Supplies	1,075	
Utilities	7,717	
Other Supplies and Materials	3,696	
Other Charges	1,838	
Office Equipment	400	
Total Senior Citizens Assistance		70,507

Libraries

Assistant(s)	\$ 25,990	
Supervisor/Director	36,160	

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Social, Cultural, and Recreational Services (Cont.)Libraries (Cont.)

Custodial Personnel	\$	4,001	
Part-time Personnel		12,152	
Other Salaries and Wages		69,767	
Communication		3,836	
Maintenance and Repair Services - Buildings		2,286	
Travel		1,928	
Other Contracted Services		3,520	
Custodial Supplies		1,696	
Office Supplies		14,718	
Utilities		27,419	
Other Charges		16,156	
Total Libraries			\$ 219,629

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$	35,760	
Contributions		19,500	
Total Other Social, Cultural, and Recreational			55,260

Agriculture and Natural ResourcesAgricultural Extension Service

County Official/Administrative Officer	\$	19,858	
Assistant(s)		16,361	
Deputy(ies)		7,185	
Secretary(ies)		10,453	
Other Salaries and Wages		5,500	
Social Security		3,463	
Employer Medicare		810	
Other Fringe Benefits		7,721	
Communication		1,146	
Contracts with Private Agencies		2,473	
Office Supplies		4,000	
Office Equipment		3,000	
Total Agricultural Extension Service			81,970

Forest Service

Forest Resource Services	\$	1,000	
Total Forest Service			1,000

Soil Conservation

Contributions	\$	26,475	
Total Soil Conservation			26,475

Flood Control

Other Salaries and Wages	\$	1,000	
Contributions		33,000	
Office Supplies		3,771	
Total Flood Control			37,771

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Agriculture and Natural Resources (Cont.)Other Agriculture and Natural Resources

Part-time Personnel	\$	4,350	
Utilities		<u>791</u>	
Total Other Agriculture and Natural Resources			\$ 5,141

Other OperationsTourism

Contributions	\$	<u>224,703</u>	
Total Tourism			224,703

Tourism - Resort District

Contributions	\$	164,856	
Remittance of Revenue Collected		<u>692,369</u>	
Total Tourism - Resort District			857,225

Industrial Development

Contracts with Government Agencies	\$	55,000	
Dues and Memberships		11,695	
Other Charges		<u>1,870</u>	
Total Industrial Development			68,565

Other Economic and Community Development

Contributions	\$	46,170	
Other Contracted Services		505,502	
Other Charges		12,592	
Other Capital Outlay		<u>10,000</u>	
Total Other Economic and Community Development			574,264

Airport

Contributions	\$	27,500	
Airport Improvement		<u>23,694</u>	
Total Airport			51,194

Veterans' Services

Supervisor/Director	\$	24,745	
Secretary(ies)		21,564	
Communication		1,699	
Data Processing Services		814	
Travel		2,619	
Office Supplies		<u>2,116</u>	
Total Veterans' Services			53,557

Other Charges

Trustee's Commission	\$	141,328	
Workers' Compensation Insurance		157,188	
Other Self-insured Claims		<u>9,559</u>	
Total Other Charges			308,075

(Continued)

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 15,500	
Total Contributions to Other Agencies		\$ 15,500

Employee Benefits

Social Security	\$ 266,490	
Pensions	373,924	
Life Insurance	13,325	
Medical Insurance	847,054	
Dental Insurance	28,032	
Unemployment Compensation	7,479	
Employer Medicare	62,515	
Total Employee Benefits		1,598,819

Miscellaneous

Medical and Dental Services	\$ 296	
Other Charges	6,807	
Total Miscellaneous		7,103

Principal on Debt

General Government

Principal on Capital Leases	\$ 152,806	
Total General Government		152,806

Interest on Debt

General Government

Interest on Capital Leases	\$ 15,264	
Total General Government		15,264

Total General Fund \$ 12,819,755

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 52,349	
Secretary(ies)	14,162	
Board and Committee Members Fees	150	
Communication	3,238	
Maintenance and Repair Services - Equipment	999	
Travel	1,970	
Office Supplies	2,906	
Office Equipment	3,500	
Total Sanitation Management		\$ 79,274

Waste Pickup

Mechanic(s)	\$ 39,361
Truck Drivers	150,085
Maintenance and Repair Services - Equipment	111,734

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Waste Pickup (Cont.)

Gasoline	\$	85,948	
Small Tools		1,417	
Tires and Tubes		27,801	
Other Supplies and Materials		2,010	
Motor Vehicles		223,915	
Solid Waste Equipment		18,000	
Total Waste Pickup			\$ 660,271

Convenience Centers

Laborers	\$	240,464	
Advertising		55	
Communication		6,847	
Engineering Services		500	
Legal Services		50	
Maintenance and Repair Services - Buildings		26,024	
Rentals		1,300	
Disposal Fees		12,875	
Utilities		16,380	
Other Supplies and Materials		9,813	
Other Charges		175	
Land		4,012	
Solid Waste Equipment		11,922	
Total Convenience Centers			330,417

Landfill Operation and Maintenance

Disposal Fees	\$	358,582	
Other Contracted Services		15,232	
Site Development		2,000	
Total Landfill Operation and Maintenance			375,814

Other OperationsOther Charges

Trustee's Commission	\$	16,938	
Workers' Compensation Insurance		54,767	
Total Other Charges			71,705

Employee Benefits

Social Security	\$	30,630	
Pensions		26,024	
Life Insurance		783	
Medical Insurance		48,954	
Dental Insurance		1,621	
Unemployment Compensation		1,551	
Employer Medicare		7,164	
Total Employee Benefits			116,727

Total Solid Waste/Sanitation Fund \$ 1,634,208

(Continued)

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	33,866	
Salary Supplements		4,600	
Law Enforcement Equipment		8,120	
Total Drug Enforcement			\$ 46,586

Other Operations

Other Charges

Workers' Compensation Insurance	\$	2,040	
Total Other Charges			2,040

Employee Benefits

Social Security	\$	2,367	
Pensions		3,500	
Life Insurance		129	
Medical Insurance		7,569	
Dental Insurance		249	
Unemployment Compensation		48	
Employer Medicare		554	
Total Employee Benefits			<u>14,416</u>

Total Drug Control Fund \$ 63,042

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	76,143	
Assistant(s)		58,807	
Secretary to Board		1,300	
Accountants/Bookkeepers		92,594	
Board and Committee Members Fees		3,901	
Communication		19,304	
Data Processing Services		10,909	
Dues and Memberships		3,320	
Legal Notices, Recording, and Court Costs		197	
Maintenance Agreements		313	
Postal Charges		724	
Printing, Stationery, and Forms		1,226	
Travel		200	
Electricity		10,300	
Food Preparation Supplies		1,026	
Natural Gas		1,925	
Office Supplies		3,245	
Water and Sewer		947	
Other Charges		4,454	
Total Administration			\$ 290,835

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Highway and Bridge Maintenance

Laborers	\$	611,420	
Engineering Services		38,810	
Other Contracted Services		14,361	
Asphalt		40,872	
Asphalt - Cold Mix		16,595	
Asphalt - Hot Mix		260,000	
Concrete		1,389	
Crushed Stone		48,741	
Office Supplies		617	
Pipe		21,259	
Road Signs		13,315	
Wood Products		342	
Gravel and Chert		17,969	
Other Supplies and Materials		8,208	
Other Charges		2,495	
Total Highway and Bridge Maintenance			\$ 1,096,393

Operation and Maintenance of Equipment

Mechanic(s)	\$	26,904	
Laborers		7,438	
Maintenance Personnel		57,829	
Maintenance and Repair Services - Equipment		23,586	
Maintenance and Repair Services - Vehicles		18,122	
Diesel Fuel		68,428	
Equipment and Machinery Parts		74,462	
Garage Supplies		10,671	
Gasoline		29,359	
Lubricants		5,699	
Propane Gas		22	
Small Tools		2,265	
Tires and Tubes		32,013	
Other Supplies and Materials		4,777	
Total Operation and Maintenance of Equipment			361,575

Other Charges

Liability Insurance	\$	30,555	
Trustee's Commission		35,971	
Workers' Compensation Insurance		100,088	
Total Other Charges			166,614

Employee Benefits

Social Security	\$	72,028	
Pensions		87,511	
Life Insurance		3,120	
Medical Insurance		220,782	
Dental Insurance		7,978	
Unemployment Compensation		7,536	
Total Employee Benefits			398,955

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Capital Outlay

Maintenance and Repair Services - Buildings	\$	4,932	
Bridge Construction		1,103,723	
Building Improvements		6,138	
Data Processing Equipment		469	
Highway Equipment		77,865	
Motor Vehicles		142,913	
Office Equipment		865	
State Aid Projects		745,851	
Other Construction		8,335	
Total Capital Outlay			\$ 2,091,091

Total Highway/Public Works Fund \$ 4,405,463

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Bonds	\$	320,000	
Principal on Notes		153,950	
Principal on Capital Leases		132,901	
Principal on Other Loans		272,000	
Total General Government			\$ 878,851

Highways and Streets

Principal on Bonds	\$	165,000	
Total Highways and Streets			165,000

Education

Principal on Capital Leases	\$	116,805	
Total Education			116,805

Interest on DebtGeneral Government

Interest on Bonds	\$	195,806	
Interest on Notes		15,403	
Interest on Capital Leases		2,298	
Interest on Other Loans		42,165	
Total General Government			255,672

Highways and Streets

Interest on Bonds	\$	41,222	
Total Highways and Streets			41,222

Education

Interest on Capital Leases	\$	42,069	
Total Education			42,069

(Continued)

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)Other Debt ServiceGeneral Government

Trustee's Commission

\$ 4,988

Other Debt Service

39,087

Total General Government

\$ 44,075

Total General Debt Service Fund

\$ 1,543,694

Rural Debt Service FundPrincipal on DebtEducation

Principal on Bonds

\$ 900,000

Total Education

\$ 900,000

Interest on DebtEducation

Interest on Bonds

\$ 1,770,270

Total Education

1,770,270

Other Debt ServiceEducation

Trustee's Commission

\$ 3,848

Other Debt Service

3,620

Total Education

7,468

Total Rural Debt Service Fund

2,677,738

Education Capital Projects FundCapital ProjectsEducation Capital Projects

Contributions

\$ 1,330,336

Total Education Capital Projects

\$ 1,330,336

Total Education Capital Projects Fund

1,330,336

Total Governmental Funds - Primary Government

\$ 24,474,236

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2017

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$	8,009,283	
Career Ladder Program		68,943	
Career Ladder Extended Contracts		41,072	
Educational Assistants		225,824	
Bonus Payments		230,386	
Other Salaries and Wages		29,802	
Certified Substitute Teachers		148,844	
Social Security		513,946	
Pensions		789,784	
Medical Insurance		1,603,576	
Dental Insurance		64,621	
Employer Medicare		120,721	
Maintenance and Repair Services - Equipment		5,194	
Other Contracted Services		12,800	
Instructional Supplies and Materials		58,108	
Textbooks - Electronic		37,950	
Textbooks - Bound		24,451	
Software		19,860	
Other Supplies and Materials		72,663	
Fee Waivers		20,000	
Regular Instruction Equipment		26,193	
Total Regular Instruction Program			\$ 12,124,021

Alternative Instruction Program

Teachers	\$	137,260	
Career Ladder Program		3,000	
Homebound Teachers		52,389	
Certified Substitute Teachers		1,155	
Social Security		8,434	
Pensions		17,308	
Medical Insurance		31,826	
Dental Insurance		1,280	
Employer Medicare		1,989	
Other Supplies and Materials		1,351	
Other Equipment		440	
Total Alternative Instruction Program			256,432

Special Education Program

Teachers	\$	1,031,449	
Career Ladder Program		7,395	
Homebound Teachers		38,303	
Educational Assistants		45,942	
Speech Pathologist		18,088	
Certified Substitute Teachers		13,571	
Social Security		67,838	
Pensions		98,383	

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Instruction (Cont.)Special Education Program (Cont.)

Medical Insurance	\$	224,368	
Dental Insurance		9,462	
Employer Medicare		15,926	
Contracts with Private Agencies		22,567	
Maintenance and Repair Services - Equipment		252	
Other Supplies and Materials		9,898	
Other Charges		8,218	
Total Special Education Program			\$ 1,611,660

Career and Technical Education Program

Teachers	\$	635,572	
Career Ladder Program		1,000	
Certified Substitute Teachers		11,170	
Social Security		36,925	
Pensions		48,082	
Medical Insurance		120,774	
Dental Insurance		4,982	
Employer Medicare		8,967	
Contracts with Other School Systems		46,181	
Other Supplies and Materials		24,403	
Total Career and Technical Education Program			938,056

Support ServicesAttendance

Supervisor/Director	\$	61,481	
Clerical Personnel		53,054	
Social Security		6,561	
Pensions		10,838	
Medical Insurance		37,729	
Dental Insurance		1,642	
Employer Medicare		1,535	
Travel		1,773	
Other Supplies and Materials		1,744	
In Service/Staff Development		1,068	
Total Attendance			177,425

Health Services

Supervisor/Director	\$	46,641	
Medical Personnel		198,059	
Other Salaries and Wages		11,060	
Social Security		14,730	
Pensions		23,517	
Medical Insurance		58,450	
Dental Insurance		2,894	
Employer Medicare		3,457	
Travel		4,031	

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Health Services (Cont.)

Other Contracted Services	\$	4,550	
Drugs and Medical Supplies		6,418	
Other Supplies and Materials		10,339	
In Service/Staff Development		630	
Other Charges		150	
Other Equipment		1,479	
Total Health Services			\$ 386,405

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		540,021	
Clerical Personnel		9,433	
Attendants		50,165	
Other Salaries and Wages		39,940	
Social Security		38,011	
Pensions		53,678	
Medical Insurance		118,118	
Dental Insurance		4,648	
Employer Medicare		8,890	
Communication		4,625	
Evaluation and Testing		9,680	
Operating Lease Payments		2,184	
Travel		6,286	
Other Contracted Services		44,015	
Other Supplies and Materials		11,216	
Other Charges		700	
Total Other Student Support			945,610

Regular Instruction Program

Supervisor/Director	\$	139,324	
Career Ladder Program		12,667	
Librarians		320,139	
Clerical Personnel		22,889	
Educational Assistants		40,893	
Other Salaries and Wages		58,720	
Social Security		35,752	
Pensions		52,219	
Medical Insurance		98,644	
Dental Insurance		4,258	
Employer Medicare		8,361	
Operating Lease Payments		25,060	
Internet Connectivity		1,080	
Travel		5,404	
Other Contracted Services		6,217	
Food Supplies		132	
Library Books/Media		20,313	

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Regular Instruction Program (Cont.)

Software	\$	16,001	
Other Supplies and Materials		6,219	
In Service/Staff Development		6,991	
Other Equipment		518	
Total Regular Instruction Program			\$ 881,801

Alternative Instruction Program

Supervisor/Director	\$	69,262	
Social Security		3,897	
Pensions		6,261	
Medical Insurance		11,469	
Dental Insurance		334	
Employer Medicare		911	
Operating Lease Payments		3,789	
Travel		2,709	
Other Supplies and Materials		189	
In Service/Staff Development		360	
Total Alternative Instruction Program			99,181

Special Education Program

Supervisor/Director	\$	71,054	
Career Ladder Program		1,000	
Assessment Personnel		43,614	
Social Security		6,639	
Pensions		10,889	
Medical Insurance		18,502	
Dental Insurance		668	
Employer Medicare		1,553	
Travel		5,081	
Other Contracted Services		13,310	
Other Supplies and Materials		2,991	
In Service/Staff Development		4,253	
Other Equipment		1,198	
Total Special Education Program			180,752

Career and Technical Education Program

Supervisor/Director	\$	1,780	
Secretary(ies)		11,238	
Other Salaries and Wages		38,201	
Social Security		678	
Pensions		1,124	
Medical Insurance		8,986	
Dental Insurance		334	
Employer Medicare		712	
Travel		1,069	
In Service/Staff Development		100	
Total Career and Technical Education Program			64,222

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Other Programs

On-behalf Payments to OPEB	\$	190,675	
Total Other Programs			\$ 190,675

Board of Education

Board and Committee Members Fees	\$	9,481	
Dental Insurance		2,338	
Unemployment Compensation		29,395	
Other Fringe Benefits		161,614	
Audit Services		17,000	
Dues and Memberships		9,417	
Legal Services		17,658	
Travel		9,506	
Other Contracted Services		2,500	
Other Supplies and Materials		1,413	
Liability Insurance		61,294	
Trustee's Commission		244,914	
Workers' Compensation Insurance		155,316	
In Service/Staff Development		4,555	
Criminal Investigation of Applicants - TBI		131	
Other Charges		245	
Total Board of Education			726,777

Director of Schools

County Official/Administrative Officer	\$	90,603	
Career Ladder Program		900	
Secretary(ies)		22,093	
Clerical Personnel		14,168	
Social Security		7,246	
Pensions		11,898	
Medical Insurance		21,143	
Dental Insurance		1,002	
Employer Medicare		1,695	
Communication		7,734	
Dues and Memberships		2,420	
Operating Lease Payments		3,669	
Maintenance and Repair Services - Equipment		902	
Postal Charges		2,885	
Internet Connectivity		1,860	
Travel		2,250	
Other Contracted Services		350	
Office Supplies		3,831	
Other Supplies and Materials		1,506	
In Service/Staff Development		560	
Other Charges		10	
Administration Equipment		580	
Total Director of Schools			199,305

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Office of the Principal

Principals	\$	439,925	
Career Ladder Program		5,000	
Accountants/Bookkeepers		99,838	
Assistant Principals		439,528	
Secretary(ies)		57,569	
Clerical Personnel		15,514	
Social Security		61,489	
Pensions		96,216	
Medical Insurance		214,118	
Dental Insurance		8,544	
Employer Medicare		14,389	
Communication		3,000	
Dues and Memberships		825	
Operating Lease Payments		15,688	
Internet Connectivity		22,397	
Travel		5,995	
Other Contracted Services		17,963	
Other Supplies and Materials		5,389	
In Service/Staff Development		2,576	
Other Charges		985	
Total Office of the Principal			\$ 1,526,948

Fiscal Services

Supervisor/Director	\$	69,377	
Accountants/Bookkeepers		47,520	
Clerical Personnel		25,411	
Social Security		8,761	
Pensions		14,233	
Medical Insurance		20,479	
Dental Insurance		1,002	
Employer Medicare		2,049	
Data Processing Services		10,043	
Dues and Memberships		85	
Maintenance and Repair Services - Equipment		2,457	
Travel		2,375	
Data Processing Supplies		1,065	
Office Supplies		1,165	
In Service/Staff Development		810	
Total Fiscal Services			206,832

Operation of Plant

Dues and Memberships	\$	200	
Janitorial Services		827,803	
Disposal Fees		19,108	
Other Contracted Services		15,584	
Electricity		972,625	

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Operation of Plant (Cont.)

Natural Gas	\$	77,135	
Water and Sewer		79,498	
Other Supplies and Materials		42,668	
Boiler Insurance		7,967	
Building and Contents Insurance		154,963	
Other Charges		5,800	
Plant Operation Equipment		454,732	
Total Operation of Plant			\$ 2,658,083

Maintenance of Plant

Supervisor/Director	\$	41,909	
Maintenance Personnel		194,057	
Social Security		13,802	
Pensions		21,429	
Medical Insurance		47,394	
Dental Insurance		2,338	
Employer Medicare		3,402	
Maintenance and Repair Services - Buildings		252,412	
Maintenance and Repair Services - Equipment		47,964	
Equipment and Machinery Parts		38,813	
General Construction Materials		104,125	
Other Supplies and Materials		9,176	
Other Charges		435	
Maintenance Equipment		21,554	
Total Maintenance of Plant			798,810

Transportation

Bus Drivers	\$	14,434	
Clerical Personnel		18,904	
Social Security		794	
Pensions		1,360	
Medical Insurance		11,771	
Dental Insurance		334	
Employer Medicare		304	
Contracts with Other School Systems		20,976	
Contracts with Private Agencies		1,666,141	
Maintenance and Repair Services - Vehicles		2,661	
Medical and Dental Services		325	
Diesel Fuel		2,199	
Garage Supplies		16	
Gasoline		9,626	
Lubricants		999	
Tires and Tubes		5,250	
Vehicle Parts		4,279	
Other Supplies and Materials		175	
Vehicle and Equipment Insurance		25,218	
Other Charges		1,925	
Total Transportation			1,787,691

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Central and Other

Supervisor/Director	\$	77,482	
Data Processing Personnel		102,043	
Social Security		11,003	
Pensions		17,125	
Medical Insurance		34,493	
Dental Insurance		1,503	
Employer Medicare		2,573	
Travel		223	
Other Contracted Services		4,448	
Software		18,001	
Other Supplies and Materials		186	
In Service/Staff Development		125	
Other Charges		244	
Other Equipment		59,176	
Total Central and Other			\$ 328,625

Operation of Non-Instructional ServicesFood Service

Supervisor/Director	\$	71,672	
Career Ladder Program		3,000	
Other Salaries and Wages		3,617	
Social Security		4,530	
Pensions		7,024	
Medical Insurance		140,750	
Dental Insurance		1,525	
Employer Medicare		1,060	
Travel		1,992	
Total Food Service			235,170

Early Childhood Education

Supervisor/Director	\$	1,500	
Teachers		252,346	
Career Ladder Program		1,000	
Educational Assistants		97,556	
Certified Substitute Teachers		2,255	
Social Security		20,241	
Pensions		29,587	
Medical Insurance		93,286	
Dental Insurance		3,980	
Employer Medicare		4,838	
Travel		3,102	
Instructional Supplies and Materials		18,859	
Other Supplies and Materials		11,988	
In Service/Staff Development		5,273	
Other Charges		3,987	
Other Equipment		11,734	
Total Early Childhood Education			561,532

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

General Purpose School Fund (Cont.)Capital OutlayRegular Capital Outlay

Building Improvements	\$	515,751	
Land		40,317	
Other Capital Outlay		<u>269,819</u>	
Total Regular Capital Outlay			\$ 825,887

Other Debt ServiceEducation

Debt Service Contribution to Primary Government	\$	<u>1,813,530</u>	
Total Education			<u>1,813,530</u>

Total General Purpose School Fund \$ 29,525,430

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	573,128	
Educational Assistants		106,354	
Certified Substitute Teachers		14,272	
Social Security		39,789	
Pensions		61,151	
Medical Insurance		182,732	
Dental Insurance		7,848	
Employer Medicare		9,348	
Contracts for Substitute Teachers - Certified		3,900	
Other Contracted Services		1,295	
Instructional Supplies and Materials		5,578	
Other Supplies and Materials		161	
Regular Instruction Equipment		<u>8,668</u>	
Total Regular Instruction Program			\$ 1,014,224

Special Education Program

Teachers	\$	640	
Educational Assistants		234,358	
Speech Pathologist		52,128	
Social Security		16,857	
Pensions		24,063	
Medical Insurance		128,081	
Dental Insurance		6,039	
Employer Medicare		3,988	
Instructional Supplies and Materials		5,729	
Other Supplies and Materials		623	
Special Education Equipment		<u>14,975</u>	
Total Special Education Program			487,481

Career and Technical Education Program

Maintenance and Repair Services - Equipment	\$	733	
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(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

School Federal Projects Fund (Cont.)Instruction (Cont.)Career and Technical Education Program (Cont.)

Other Contracted Services	\$	3,925	
Instructional Supplies and Materials		7,947	
Other Supplies and Materials		2,040	
Vocational Instruction Equipment		67,413	
Total Career and Technical Education Program			\$ 82,058

Support ServicesOther Student Support

Other Salaries and Wages	\$	7,307	
Social Security		453	
Pensions		665	
Employer Medicare		106	
Travel		15,753	
Other Contracted Services		3,019	
Other Supplies and Materials		28,713	
In Service/Staff Development		13,201	
Total Other Student Support			69,217

Regular Instruction Program

Supervisor/Director	\$	70,886	
Other Salaries and Wages		256,832	
Social Security		19,391	
Pensions		29,030	
Medical Insurance		55,476	
Dental Insurance		2,338	
Employer Medicare		4,605	
Consultants		1,500	
Travel		535	
Other Contracted Services		22,068	
Other Supplies and Materials		5,983	
In Service/Staff Development		35,617	
Other Equipment		1,447	
Total Regular Instruction Program			505,708

Special Education Program

Psychological Personnel	\$	46,818	
Other Salaries and Wages		86,758	
Social Security		7,614	
Pensions		12,849	
Medical Insurance		21,143	
Dental Insurance		1,002	
Employer Medicare		1,781	
Travel		2,949	
Other Contracted Services		95,000	
Other Supplies and Materials		1,936	
In Service/Staff Development		2,052	
Other Equipment		1,797	
Total Special Education Program			281,699

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

School Federal Projects Fund (Cont.)Support Services (Cont.)Career and Technical Education Program

Travel	\$	1,746	
Total Career and Technical Education Program			\$ 1,746

Transportation

Contracts with Private Agencies	\$	100,000	
Total Transportation			100,000

Operation of Non-Instructional ServicesCommunity Services

Supervisor/Director	\$	9,800	
Teachers		108,251	
Educational Assistants		42,763	
Other Salaries and Wages		46,785	
Social Security		12,750	
Pensions		18,259	
Employer Medicare		2,982	
Travel		213	
Instructional Supplies and Materials		9,016	
Other Supplies and Materials		3,945	
In Service/Staff Development		629	
Other Charges		13,920	
Total Community Services			269,313

Total School Federal Projects Fund			\$ 2,811,446
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Central Cafeteria FundOperation of Non-Instructional ServicesFood Service

Accountants/Bookkeepers	\$	25,500	
Cafeteria Personnel		591,415	
Other Salaries and Wages		30,411	
Social Security		42,936	
Pensions		48,696	
Medical Insurance		142,140	
Dental Insurance		12,000	
Employer Medicare		9,144	
Communication		1,255	
Maintenance and Repair Services - Equipment		21,892	
Transportation - Other than Students		19,383	
Other Contracted Services		26,436	
Food Preparation Supplies		42,714	
Food Supplies		948,755	
Office Supplies		3,488	
USDA - Commodities		230,665	
Other Supplies and Materials		33,842	
In Service/Staff Development		10,173	

(Continued)

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$	560	
Food Service Equipment		<u>8,664</u>	
Total Food Service			<u>\$ 2,250,069</u>

Total Central Cafeteria Fund			\$ 2,250,069
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Education Capital Projects Fund

Other Debt Service

Education

Other Debt Service	\$	<u>11,194</u>	
Total Education			\$ 11,194

Capital Projects

Education Capital Projects

Building Improvements	\$	249,000	
Plant Operation Equipment		1,271,842	
Other Capital Outlay		<u>95,805</u>	
Total Education Capital Projects			<u>1,616,647</u>

Total Education Capital Projects Fund			<u>1,627,841</u>
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Total Governmental Funds - Hardin County School Department			<u>\$ 36,214,786</u>
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Exhibit K-9

Hardin County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2017

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 3,623,921
Total Cash Receipts	<u>\$ 3,623,921</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 3,587,682
Trustee's Commission	36,239
Total Cash Disbursements	<u>\$ 3,623,921</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2016	<u>0</u>
Cash Balance, June 30, 2017	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Hardin County Mayor and
Board of County Commissioners
Hardin County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements, and have issued our report thereon dated January 29, 2018. Our report includes a reference to other auditors who audited the financial statements of the Park Rest Hardin County Health Center and the discretely presented Hardin Medical Center, as described in our report on Hardin County's financial statements. This report does not include the results of other auditors testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies: 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

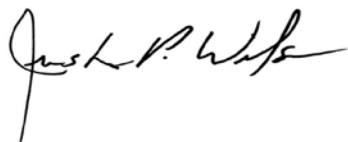
Hardin County's Responses to the Findings

Hardin County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Hardin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardin County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 29, 2018

JPW/yu



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Hardin County Mayor and
Board of County Commissioners
Hardin County, Tennessee

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hardin County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hardin County's major federal programs for the year ended June 30, 2017. Hardin County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hardin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hardin County's compliance.

Opinion on Each Major Federal Program

In our opinion, Hardin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Hardin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hardin County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

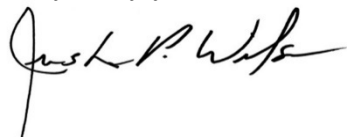
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements. We issued our report thereon dated January 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 29, 2018

JPW/yu

Hardin County, Tennessee, and the Hardin County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2017

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster: (3)			
School Breakfast Program	10.553	N/A	\$ 478,090
National School Lunch Program	10.555	N/A	1,399,240 (5)
Summer Food Service Program for Children	10.559	N/A	97,847
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (3)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	230,665 (5)
Total U.S. Department of Agriculture			<u>\$ 2,205,842</u>
U.S. Department of Defense:			
Passed through State Department of General Services:			
Section 1033 Excess Property Program (Noncash Assistance)	12.U01	(4)	\$ 715,525 (6)
Total U.S. Department of Defense			<u>\$ 715,525</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	35314	\$ 355,270
Shelter Plus Care	14.238	(4)	22,852
Total U.S. Department of Housing and Urban Development			<u>\$ 378,122</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 9,400
Total U.S. Department of Justice			<u>\$ 9,400</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	3615-5	\$ 534,945
State and Community Highway Safety	20.600	(4)	22,073
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	34101-18114	11,200
Total U.S. Department of Transportation			<u>\$ 568,218</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	30504-00315-55	\$ 8,665
Total U.S. Institute of Museum and Library Services			<u>\$ 8,665</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,294,222
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	894,755
Special Education - Preschool Grants	84.173	N/A	31,546
Career and Technical Education - Basic Grants to States	84.048	N/A	116,039
Twenty-first Century Community Learning Centers	84.287	N/A	269,313
Rural Education	84.358	N/A	36,302
Mathematics and Science Partnerships	84.366	N/A	25,741
Improving Teacher Quality State Grants	84.367	N/A	200,649
Total U.S. Department of Education			<u>\$ 2,868,567</u>

(Continued)

Hardin County, Tennessee, and the Hardin County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed through State Commission on Aging and Disability:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(4)	\$ 31,392
Passed through State Department of Human Services:			
Child Care and Development Block Grant	93.575	(4)	20,549
Total U.S. Department of Health and Human Services			<u>\$ 51,941</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(4)	\$ 80,770
Assistance to Firefighters Grant	97.044	(4)	25,359
Total U.S. Department of Homeland Security			<u>\$ 106,129</u>
Total Expenditures of Federal Awards			<u>\$ 6,912,409</u>
State Grants:		Contract Number	
Litter Program - State Department of Transportation	N/A	(4)	\$ 39,699
Access to Healthy Environments - State Department of Health	N/A	(4)	10,000
Volunteer Fire Assistance - State Department of Military	N/A	(4)	3,000
Safe Schools Act - State Department of Education	N/A	(4)	22,745
Coordinated School Health - State Department of Education	N/A	(4)	100,000
ConnecTenn - State Department of Education	N/A	(4)	9,279
Early Childhood Education - State Department of Education	N/A	(4)	560,532
Total State Grants			<u>\$ 745,255</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Hardin County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.

(3) Child Nutrition Cluster total \$2,205,842; Special Education Cluster total \$926,301.

(4) Information not available.

(5) Total for CFDA No. 10.555 is \$1,629,905.

(6) During the year ended June 30, 2017, Hardin County received excess military equipment from the U.S. Department of Defense valued at \$715,525.

Hardin County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2017

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for Hardin County, Tennessee, for the year ended June 30, 2017.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
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OFFICE OF DIRECTOR OF SCHOOLS

2016	211	2016-001	Amounts Withheld From Contractor Payments were not Deposited Into an Escrow Account	N/A	Corrected
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OFFICE OF TRUSTEE

2016	211	2016-002	The Office Maintained a Duplicate Set of Receipts	N/A	Not Corrected - See Explanation on Corrective Action Plan
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Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

HARDIN COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Hardin County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553, 10.555, and 10.559 Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
 - * CFDA Numbers: 84.027 and 84.173 Special Education Cluster:
Special Education - Grants to States and
Special Education - Preschool Grants
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF TRUSTEE

FINDING 2017-001

THE OFFICE MAINTAINED A DUPLICATE SET OF RECEIPTS

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office issued all receipts manually and subsequently entered the receipts into the computerized accounting records as automated receipts. Sound business practices dictate that manual receipts be discontinued after electronic records are installed. Maintaining both manual and automated receipts resulted in increased costs for operations. In addition, this practice could result in the failure to record all receipts into the official electronic record and increases the risks of fraud and abuse. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should discontinue the use of manual receipts and only issue receipts electronically.

MANAGEMENT'S RESPONSE – TRUSTEE

To serve the land owners of Hardin County effectively, I use prenumbered receipts. These receipts match the computer numbers. The hard copy allows us to cross reference delinquent tax numbers of prior-year to current-year. We show on the receipt when a business has closed with the prior year's taxes. As to excess cost, a receipt would be printed from the computer, so no extra cost would be incurred by the county. When this system does not work efficiently, an electronic one will be put in place.

AUDITOR'S COMMENT

The office should discontinue the use of manual receipts. Receipts should be issued electronically, giving consideration to the costs associated with the acquisition, on-going maintenance of the computer system, and additional labor costs for maintaining manual accounting records.

OFFICE OF SHERIFF

FINDING 2017-002

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the office's accounting records. These deficiencies exist due to a lack of management oversight and a lack of understanding of internal controls, generally accepted accounting principles, and sound business practices.

- A. The cash journal was not properly maintained and contained numerous errors. Transactions were not posted to the cash journal on a regular basis, not posted at all, or were posted incorrectly. Columns were not always totaled, and ending balances were not always carried forward accurately. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of the office. The failure to properly maintain accounting records also increases the risks of fraud and abuse.
- B. Bank statements had not been reconciled monthly. Sound business practices require the reconciliation of bank statements with general ledger accounts monthly to ensure all cash collections and disbursements are recorded in the accounting records accurately. The failure to reconcile bank statements with the general ledger monthly allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

The official cash journal should be properly maintained on a current basis and should reflect all financial operations of the Sheriff's Department. Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – SHERIFF

We agree with the finding and are working to correct it.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2017.

Hardin County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2017

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF TRUSTEE

2017-001	The Office Maintained a Duplicate Set of Receipts	218
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OFFICE OF SHERIFF

2017-002	The Office had Accounting Deficiencies	219-220
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Corrective Action Plan

FINDING: THE OFFICE MAINTAINED A DUPLICATE SET OF RECEIPTS

Response and Corrective Action Plan Prepared by:
Linda McCasland, Trustee

Person Responsible for Implementing the Corrective Action:
Linda McCasland, Trustee

Anticipated Completion Date of Corrective Action:
N/A

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
The official feels that corrective action is not cost effective or necessary.

Planned Corrective Action:
Management has no corrective action plan.

Signature: Linda McCasland
Linda McCasland, Trustee



Corrective Action Plan

FINDING: THE OFFICE HAD ACCOUNTING DEFICIENCIES

Response and Corrective Action Plan Prepared by:

Samuel Davidson, Sheriff

Person Responsible for Implementing the Corrective Action:

Vicki Spears, Administrative Assistant

Anticipated Completion Date of Corrective Action:

January 19, 2018

Repeat Finding: No

Reason Corrective Action was Not Taken in the Prior Year:

Not a prior year finding

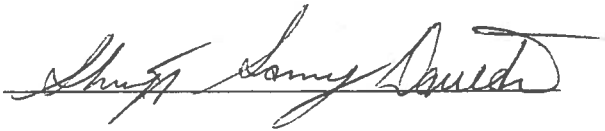
Planned Corrective Action:

- A. The cash journal is being properly maintained with no errors at this time. Time is being taken to carefully total columns and carry balances forward more accurately. We have a series of steps that we follow to make sure all funds are recorded, posted to the cash journal, and deposited in a timely manner. All monies are first received by Jenifer Johnson. She logs this onto an unofficial spreadsheet for our internal verification. She then gives the money to Vicki Spears who writes the info in the Official Receipt Book and logs it on the cash journal. When money is received by the Sex Offender Registry Officer Sheila Franks, she writes the Official Receipt and then give the money to Jenifer Johnson who logs it onto the unofficial spreadsheet. The money is then given to Officer Stacey Moore who writes the deposit slip out for the bank. Vicki Spears then takes the deposit to the bank and

has the deposit verified by another employee. Records Clerk Anette Shelby also helps with these duties as needed. In the absence of any of the aforementioned employees, the responsibilities are performed by one of the others.

- B. The bank statement is reconciled by Vicki Spears and then verified by another employee. Measures have been taken to ensure that the employees who are entrusted to these duties have adequate time to fulfill these responsibilities.

All changes have already been implemented at this time.

Signature: 

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hardin County.

HARDIN COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

Hardin County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the county commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.